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GLADSTONE AS FINANCIER AND ECONOMIST

GLADSTONE FOUR TIMES PRIME MINISTER.
Wearing his robes of office as Chancellor of the Exchequer in 1801, with bust of Sir Robert Peel.

GLADSTONE AS FINANCIER AND ECONOMIST

By
FRANCIS W. HIRST

With an Introduction by
HENRY NEVILLE GLADSTONE

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PREFACE

THIS imperfect but not uncritical study of Gladstonian finance is suggested by the circumstances of our time and by the financial straits in which our country again finds itself after a great war, costly in life and treasure beyond the direst forebodings of the gloomiest prophets, or even the scientific forecasts of those who, like Bloch, had realised what slaughter and destruction a war of chemists and mechanics and conscript armies would bring about. For Englishmen the parallel between 1931 and 1841 is sufficiently close, though there are, of course, important differences. Budget deficits, bad trade, widespread unemployment, an excessive burden of taxation, are experiences common to both; and we have much to learn from the financial policy and financial reforms of Sir Robert Peel and Mr. Gladstone, which not only restored balanced Budgets and public credit, but enabled the country, at first with slow steps and then with rapid strides, to attain commercial and industrial prosperity, and to accumulate capital on a scale never before known in history. To present a connected account of Gladstone's commercial and financial policy in a compact and popular form is a task which, under these circumstances, requires no justification; and I have been encouraged to attempt it, at Mr. Henry Gladstone's request, by several considerations. In the first place, the ground is familiar. I was employed by Mr. John Morley to examine and read all the financial memoranda and correspondence (then deposited at Hawarden Castle) in preparation for the official "Life of Gladstone." Morley was not, and never pretended to be, an accomplished master of political economy and finance; but besides being a most

diligent and painstaking workman, he was possessed by an immense admiration for Gladstone's financial genius; and the pages in which he brings out the salient achievements of his hero are never dull. To what fine and discriminating use he turned the materials before him in the Biography, every reader of that masterpiece can testify. He was writing a Biography for a vast public, not a treatise or a series of treatises. He was conscious of having to put on one side much material of interest to specialists in economics and theology. But he knew the limits of a Biography, and was far too great an artist in letters to allow a disproportionate space to any one department of Gladstone's manifold activities. He skims very lightly over Gladstone's very important work at the Board of Trade; and his treatment of Gladstonian finance, though admirable, is far from complete. That there is ample scope for additions to this part of his story will not be denied; and now that our public finances are once more in disorder, there is good reason for filling in Morley's outline of Gladstone's fiscal and financial achievements. Indeed, while we were at Hawarden together he suggested more than once that I might usefully edit a selection of the financial materials which he had only touched upon, or had left entirely aside. It happens also that I once contributed to a popular "Life" edited by Sir T. Wemyss Reid some chapters on Mr. Gladstone's work at the Board of Trade and the Exchequer, based on a careful study of the debates in Hansard. On these I have been able to draw freely. In addition to Morley's "Life," a vast amount of material has been made available in various ways, and I am especially grateful for access to the Gladstone papers in the British Museum, where they are now being arranged and classified. I have also had the advantage, after nearly completing this book, of reading an unpublished monograph by Mr. Francis Hyde on Mr. Gladstone's work at the Board of Trade, which represents much careful research into the Gladstone and Peel papers, and other unpublished manu-

scripts bearing upon the subject. It will, I hope, before long see the light.

Like all students of Gladstone's life and work, I have turned frequently for guidance to Mr. Tilney Bassett's descriptive index and bibliography, which occupy the first hundred pages of an admirable selection of Gladstone's speeches published by Methuen & Co. in 1916. Other authorities are referred to in the course of this book. Besides the vast material in the British Museum, I have to thank Mr. Henry Gladstone for allowing me to read a number of family letters, and Mr. Robert Gladstone of Liverpool for lending me a collection of letters from Mr. Gladstone to his brother Robertson, as well as for generously contributing to my poor stock of information from his own opulent stores of learning about the port of Liverpool and Sir John Gladstone's connection with its commercial expansion.

Financial and economic studies in the abstract are too severe for the general reader. But when fiscal and commercial problems of vital importance to the nation are bound up with the career of a beneficent and mighty genius, the case is different. Moreover, the story of Peelite and Gladstonian finance from 1841 to 1861, and onwards, may convey to us all not only a timely warning but encouraging lessons. For many years after the peace of 1815, a trade depression with all the dismal accompaniments of unemployment and pauperism hung heavily over the kingdom. Trade was stagnant; times were hard; wages were at starvation point. War debt and war taxation, recurring deficits, declining imports and exports, supply an analogy from our own history to the troubles that have harassed us since the Great War. At last, in 1841, Sir Robert Peel came to the rescue, and applied real remedies. In the 'fifties and 'sixties, Gladstone followed on; and very soon, under the magic stimulus of public economy, reduced taxation, balanced Budgets, and rising credit, trade began to advance by leaps and bounds. The facts are so plain, the precedents so clear, the lessons so

hopeful, that men and women of all parties and opinions will, I hope, give an unprejudiced perusal to this record. By preserving the chronology, and by inserting here and there a thread of narrative, I have tried to make this exposition of tariffs and Budgets more intelligible. In their historical context financial schemes become clothed with reality as part of a nation's progress. In their personal context fiscal and economic problems of the past are vitalised by our interest in the character and methods of the statesmen who solved them. On the principle *antiquitas sæculi juventus mundi* we ought to be wiser than our fathers and much wiser than our grandfathers. I only wish that our economic policies and financial practices were as good as theirs. It is but too plain in this year of grace that we have to learn over again the lessons they drew from bitter experience, in order to regain the prosperity which we inherited and squandered away.

F. W. H.

October, 1931.

INTRODUCTION

BY HENRY NEVILLE GLADSTONE

THIS book has been prepared at my request by Mr. Francis Hirst. The severity of the trade depression, the vast numbers of our unemployed, and the financial difficulties of our Government, and of nearly all Governments in the world, combine to make a situation this autumn (1931) without any modern parallel, unless we go back to the terrible conditions of a hundred years ago, which lasted from Waterloo into the Hungry Forties. Students of economic history know of the marvellous growth of trade and prosperity, which accompanied or followed the financial and commercial measures carried by Sir Robert Peel and Mr. Gladstone under the influence, or with the support, of Cobden and Bright. This is the main theme of Mr. Hirst's book. In Morley's superb biography of my father, 'Gladstone finance,' especially in the 'sixties, is admirably handled; but the scope of a biography is limited, and a vast mass of valuable material has remained unused. A new book, throwing further light on the methods and aims pursued by Mr. Gladstone, first at the Board of Trade and afterwards as Chancellor of the Exchequer and First Lord of the Treasury, in the sphere of public finance and economy, should prove valuable to the nation in its present emergency, as well as to other countries which are suffering from over-taxation, strained credit and unbalanced Budgets.

Perhaps in a later chapter I have lingered too long over personal memories brought back to my mind in reading over again my father's letters to me. But, however that may be, I earnestly hope that Mr. Hirst's chapters, showing what

benefits flowed from Mr. Gladstone's financial reforms and economical administration of public money, will be widely read, and that these lessons from past experience may be turned to good account.

In view of present conditions, I wish to draw the very special attention of those who are consulting the oracles of Gladstonian policy to a speech delivered in Midlothian, at West Calder, more than forty years ago, on October 23rd, 1890. Mr. Gladstone was discussing the history of organised labour and its relations with capital during his lifetime.

In reviewing the immeasurable changes by which the status of all classes of labourers, skilled and unskilled, had been raised in his lifetime, Mr. Gladstone began with the political franchise; then he went on to the diffusion of education through schools and the free access to knowledge through the abolition of the taxes on paper and books and newspapers; next he referred to the blessings of freedom of trade, which, with some assistance from railways and cheaper transport, had added upon the average "at least 50 per cent. to the available means and available comforts of the working population of this country." That was on a comparison of the years 1840 and 1890. Freedom of trade had been won by twenty years of hard parliamentary work, but before it was won, another great triumph had been gained for working men. "When I was a child, if a small body of working men consulted together, and combined together, and jointly refused to work for a particular individual unless he would give them such and such wages, that was an offence punishable at law." They owed to an excellent Scottish member, Joseph Hume, the establishment of freedom to combine, and this freedom had now been entirely released from interference so long as Trade Unionists kept within the limits of the law and abstained from violence.

These great changes—the right to vote at elections and the right to combine—had so enormously altered the balance of power that the labouring men as a class were now "rapidly

approaching to a footing of full equality with the capitalists," and it was "even possible that they may become the stronger of the two." Lord Salisbury, the leader of the Conservative Party, had gone so far as to declare, "They are our masters." That statement Mr. Gladstone only accepted subject to very great qualifications. Certainly the masses had the majority of the votes; and if they were roused to something like unanimity on a given question, they could carry the day. But politics were so complex, and so many questions called for the attention of Parliament, and the interests of the population were so divided, that the mind of the country could seldom be ascertained except through the workings of representative government. On many questions of importance there could be no "deliberate, general and solid conviction" among the workers.

But on great moral questions, such as the cause of freedom against slavery, the voice of the people could not merely be heard, but it could be made effective; and on such questions Mr. Gladstone believed that the judgment of the masses was more likely to be sound than that of the educated and leisured classes, who were apt to be led astray, as they had been in the past, by worldly considerations and self-interest. The temptations of power had led to its abuse by the classes, and might lead to its abuse in the future by the masses:—

> "Gentlemen, the true test of a man, and the true test of a class, and the true test of a people, is power. It is a small thing as long as he has not power—as long as temptation is kept out of his way—that he should be tolerably just in his judgments; but it is when power has come into his hands that his trial comes—power which corrupted the judgments of the leisured and the wealthy classes may corrupt the judgments of the people. You will have temptation near you, gentlemen; you—the labouring people of this country—when you become supreme to such a degree that there is no other power to balance and counteract the power which you possess. You have approaching you—together with great physical, social and political advantages—you have approaching you a deep and

searching moral trial—you have to preserve the balance of your mind and your character; and even if you become, and when you have become, stronger than the capitalist, stronger than the peerage, stronger than the landed gentry, stronger than the great mercantile class—when you have become in one sense their political master, you have still before you one achievement to fulfil, one glory to attain, and appropriate to yourselves—continue to be just. I am bound to say I have seen no serious tendency to alarm me upon that subject as yet; I venture to give that warning for the future; it applies to the coming days more than to the days that are past, and I hope that the mass of this meeting will live into these days in increasing prosperity and happiness; and if they do so, I am sure they will remember with kindliness what was at all events a well-meant suggestion."

At this time (October 1890), a section of organised labour was pressing for an eight-hours day by legislative enactment. Mr. Gladstone made it clear that he felt the danger of legislative interference with trade, and much preferred that arrangements should be made between labour and capital in individual trades. But he distinguished between a general eight-hours day and a miners' eight-hours day. As he put it: "The Miners' Eight-Hours Bill is undoubtedly on a different footing. First of all, the nature of the employment is so different, and, gentlemen, though I am not a miner, I have been in a coal-pit a sufficient number of times to have the feeling—which it seems to me every man who has been there must entertain—that eight hours out of every twenty-four are quite enough for any human being to labour under these conditions." On the Miners' Eight-Hours Bill, therefore, Mr. Gladstone maintained an open mind; but he dwelt on the danger that organised bodies of workmen may "become a class, and may come to be enamoured more or less of separate interests of their own, adverse to the interests of the public. They must be content to have their class interests, whatever they are, judged of in the light of public interests."

It was common at that time, as it is still, to talk of the conflict between labour and capital. Mr. Gladstone held that the word 'conflict' conveyed an untrue impression. "Labour and capital are in some respects opposed to one another—that is, they are partially opposed as to the division of the profits of production; but they are essentially and profoundly allied. I think it is very just to compare them to two people rowing in a boat. One has an oar on each side. Now you know, gentlemen, that when a boat is propelled in that manner, a portion of the force of each is lost in lateral pressure; but the bulk of the force of each is combined, and sends the boat on its course. That is the case of labour and capital. They may have separate interests; yet their separate interests are less by far in the long run. They are essentially allied, and their separate interests are little as compared with those in which they are united."

At the same time, in so far as the interests of capital and labour were distinct, Mr. Gladstone agreed that labour was right in striving for justice in its competition with capital. When all other methods failed, strikes were the weapons on one side and lockouts on the other. But he recommended other methods of strengthening the position of the labouring classes. One of these was co-operation. In distributing commodities, co-operation had conferred immense benefits on the working classes, besides giving them experience in the practice of self-government. Co-operation in production was more difficult, but where it could be successfully applied, either in manufacture or in agriculture, it was, in Mr. Gladstone's judgment, even more advantageous.

Another method by which labour had improved its conditions was by Act of Parliament; and there were some who preferred to achieve what they wanted by legislation rather than by combination or co-operation. Mr. Gladstone much preferred freedom of action and self-help to the rigid compulsion of an Act of Parliament. Resort to legislation meant abandoning the elasticity which permits errors to be cor-

rected and false steps to be retraced. It would be a misfortune if the working men of Great Britain were to contract the habit, whenever they were in difficulties, of calling upon Parliament to pass a law, instead of endeavouring to remove their grievances by voluntary methods, and by free discussion working upon local public opinion. In reviewing his own life, he felt that he had come by degrees to attach to freedom "a value that I cannot describe." He had been brought up with a veneration for things ancient, and he still disliked gratuitous change. He had also been brought up not to know the value of liberty, but he had learnt to know it; "and I have learnt to know that, although liberty may be misused and abused, like every other blessing of Providence, yet without liberty there is nothing solid, there is nothing that can move onwards on the face of this earth." And as it is part of the love of liberty to love it for others just as we love it for ourselves, so Trade Unionists should remember in labour questions that "the coercive and rigid operation of public authority, though it may in certain cases be a necessity," is infinitely inferior to doing their own work by themselves and among themselves, seeking strength in unity, and marching forward, hand to hand and shoulder to shoulder, towards the attainment of their social and moral ideals.

Mr. Gladstone's warnings and exhortations to the masses to eschew the class feeling, which had fettered them so long, are more than ever applicable since the franchise has been extended to embrace practically the whole population of adults without distinction of wealth or sex, and including even those who, being unemployed, may be wholly dependent on the taxpayer. Since Mr. Gladstone had himself been the chief instrument, as Chancellor of the Exchequer, Leader of the Liberal Party, and four times Prime Minister, in the gradual but steady stages of national emancipation from a protective and repressive system to freedom of trade and freedom of Trade Union organisation, and from the

comparatively narrow middle-class franchise of 1832 to a franchise which embraced, after 1867, the working classes in towns, and after 1884 the country labourers, his aspiration that the spirit of justice and liberty for all may prevail over the spirit of class derives weight from his authority as well as from its intrinsic merit.

At the moment, alas! it seems to be true that class feeling has not improved with the progress of democracy; partly, no doubt, because the economic discontents and upheavals caused by the War have left acute financial difficulties and disorders. Free education has been established, and intellectual ability in all classes can now rise to the Universities; but has the democracy now represented by three political parties received the instruction and guidance necessary for the general welfare? Up to the time of the Great War, industrial progress continued. The wealth and financial resources of the country grew; poverty was reduced; the real wages and comforts of the working classes were extended; while a generally sound economic policy, based upon freedom of trade and a fair system of taxation, was maintained by successive Governments. The Great War involved unlimited expenditure, a vast accumulation of debt, and, during its duration, innumerable restrictions upon personal and economic liberty. Unfortunately, it also bequeathed a legacy of public and private extravagance. Between 1920 and 1924, during a period of deflation, a partially successful, but inadequate, effort was made to reduce the level of public expenditure. But since then the tide has again risen in flood, and it would seem that we have not yet taken to heart the seriousness of our financial position or the disastrous consequences of excessive taxation upon trade and industry. May we not hope now that Mr. Gladstone's warnings, based on such remarkable foresight, will receive the attention they deserve? I still have faith in the democracy, when correctly informed and wisely guided; and I can but hope that qualified leaders of thought and

opinion will do their utmost to inculcate a spirit of moderation and justice, as well as a respect for liberty, among all classes of the community. Since 1918 the financial demands of the democracy upon the public purse have been incessant, and of late years extravagant. Have the leaders done their part? Has Parliament been alive to the dangers of reckless expenditure and to the disastrous consequences entailed upon enterprise and industry?

There can, I fear, be but one answer to the question, viz., that there has been for long a conspiracy of silence amongst leaders of parties as to the seriousness of the general financial position of the country, a marked unwillingness to explain and to press home upon electors the evils of heavy and unnecessary expenditure, whether incurred on our Naval, Military or Air Forces, on Social Services, or in other ways. No doubt the well-understood unpopularity of the policies of Retrenchment and Economy has been the main cause of abstention from a duty always important and since the War, perhaps, of all needs the most pressing.

Of late, happily, more disposition has been shown, in sections of the Press, amongst thoughtful writers and amongst an increasing number of the general public to recognise the danger, to bring the true position home to the electors, and to impress upon the country the absolute necessity of retrenchment and of exercising strict economy in the future.

Any direct encouragement to extravagance now comes from diminishing numbers and the call for retrenchment extends, but until the recent crisis our political leaders, beyond rendering mere lip service, for the most part made no sign. They shrank from definite action, or even from giving practical guidance. Extravagant expenditure, having become the policy and practice of the day, escaped effective control. Parties and politicians seldom try to make the democracy aware of the economic dangers that threaten it. Times have changed since the old days when a leader of men, qualified

to influence public opinion, having come to a decision for or against a particular policy or line of action, would press his views forcibly and to the utmost of his powers upon the country irrespective of popularity. No doubt economy has been generally unpopular, and few have been prepared to deal with it seriously or effectively; but it is undoubtedly possible in all departments, and large savings are now being effected in pursuance of Mr. Snowden's Budget, following the recommendations of the Economy Commission (known as the May Report) which was appointed under a House of Commons resolution proposed earlier in the Session by Sir Donald Maclean, and carried by a majority of votes of all three political parties.*

It is customary for those disinclined to any positive action to take refuge in a challenge to those advocating economy, to demand details of the savings to be effected. Where there is a will there is a way. Undoubtedly revised limits of expenditure in most of the Government Departments could be imposed by the responsible Ministers concerned; and, if necessary, backing could be obtained from small special committees presided over by an Inchcape or a Geddes. Extravagance and waste are admittedly general, and ought to be eliminated by stricter control. The people need instruction. Admittedly public opinion requires to be influenced and diverted into sound financial channels.

These were the considerations that led me to consider the advantage of drawing public attention to past experience and of taking a lesson from the career and policy of one leader of outstanding financial authority. Mr. Gladstone, during a long period of high office, as First Lord of the Treasury and Chancellor of the Exchequer, closely watched and guarded public expenditure unceasingly, whether in office or opposition. Whenever, in his judgment, the occasion

* Since then the crisis in Germany and events abroad and at home have forced the pace and made prompt and hurried action unavoidable. A new National Government has introduced a balanced Budget with drastic retrenchments, but too late to save the gold pound.

arose, he pressed upon his colleagues, upon Parliament, upon the country, in season and out of season, continuously and at all costs, his definite proposals for retrenchment or reductions in Departmental estimates, often with favourable results.

Accordingly, to assist in guiding public opinion towards the goal of general Economy, I arranged with Mr. Francis W. Hirst, whose fame as a sound economist is well known, to write a short treatise upon Mr. Gladstone's financial policies and methods as carried out by him whilst Chancellor of the Exchequer or Prime Minister, and his book brings out in a most vivid manner the zealous care taken by Mr. Gladstone throughout his career in matters affecting public expenditure in and out of office. For this purpose the important records now at the British Museum have been placed at his disposal, by kind permission of the authorities. The intention is to bring home to the country the valuable lessons to be learnt from the past, and to apply them to the changed conditions of the present day.

A writer in the Literary Supplement of *The Times* recently said, "Mr. Gladstone will be coming into his own presently." His genius in financial control has been long and generally recognised by all sections of opinion. Is it not time to re-shape the general financial policy of the country upon his principles, to reduce debt, to cut down expenditure, to moderate taxation and to live within our income? Only in this way, I submit, can any early return to industrial and financial prosperity be secured.

Towards the middle of the last century the Conservative Party, under Sir Robert Peel, were the true economists. In turn they were succeeded by the Liberals, under Mr. Gladstone. Now is the time for the Government of the Day to follow in their footsteps and place Economy once more in the forefront.

H. N. G.

Hawarden Castle,
October 1, 1931.

AN APPRECIATION OF MR. GLADSTONE'S FINANCIAL POLICY

BY THE RIGHT HONOURABLE SIR GEORGE H. MURRAY, G.C.B.

IN a recently published study, a celebrated statesman is said to have "discerned that the Exchequer existed for a loftier purpose than the immediate and necessary one of levying taxation. He saw in it a great leverage for uplifting the social and economic condition of the great mass of the toilers."

Hence came pensions, unemployment benefits and other boons which—whatever they may have done to uplift the toilers—have unquestionably contributed largely to the present difficulties of the Exchequer, and have rendered necessary the drastic remedies prescribed by the Economy Committee.

What is said to have been 'discerned' expresses concisely the antithesis of the principles on which, speaking broadly, our financial policy was directed from the time of Sir Robert Peel to that of Lord St. Aldwyn. It is true that *they* also aimed at "uplifting the social and economic condition of the toilers." But their methods were widely different. When Sir Robert Peel came into power in 1841 the national finances had been conducted on hand-to-mouth principles —or on no principle at all.

Through his reforms, the details of which were mainly handled by Mr. Gladstone, and the general tenour of which was maintained for more than half a century, the national Budget was made to balance, the imposition and the remis-

sion of taxation were systematised, and obstructive legislation was repealed.

In all this, and in much that followed, the influence and achievements of Mr. Gladstone, the apt disciple of a great master, were pre-eminent. Throughout his life he was imbued with the conviction that the people knew better than the State how to make the most of their own resources; that national expenditure had an inevitable tendency to wastefulness, and that the activities of the State should therefore be confined to the provision of essential services; that the improvement of the social and economic condition of the masses could best be secured by reducing the burden of taxation which pressed upon them, by fiscal freedom, extended trade, more abundant employment and higher real wages; and that any attempt to re-distribute the national wealth by the taxation of one class for the benefit of another would be inequitable and mischievous. His whole financial theory was coloured by his detestation of the waste with which he had learnt to identify Government expenditure. He was persuaded that the growth of expenditure generated a spirit which encouraged further extravagance. The evils of wastefulness or prodigality are not confined to the period in which they arise. They grow unnoticed until a catastrophe occurs, and produce a fresh and more pernicious offspring in each succeeding generation.

> "Aetas parentum pejor avis tulit
> Nos nequiores, mox daturos
> Progeniem vitiosiorem."

Mr. Gladstone's personality was undoubtedly the most potent factor in the maintenance for so long a period of the great principles laid down by Sir Robert Peel, and elaborated by himself and his successors. Responsible for no less than thirteen Budgets, he retained to the last an unswerving faith in certain fixed aims. By the continuous husbanding of the national resources, by resolute remonstrance against wasteful expenditure, by insistence on a balanced Budget,

he built up the great administrative edifice on which his fame chiefly rests.

In attempting to analyse the processes by which his policy was brought to a successful issue we may note:—

1. The conspicuous integrity of his character, both as a statesman and in his private life, which, added to his other qualities, gave him a position of commanding authority among his contemporaries.

2. His marvellous 'driving power.' Lord Kilbracken has recently illustrated the intensity and vehemence of his activities by an analogy to mechanical power. If, he says, the 'horse power' of an ordinary man may be represented by 100, and that of an exceptionally energetic man by 200, then Mr. Gladstone's would be at least 1000.

3. The range of his mental apparatus. Nothing was too great for him to attempt, no detail too small to be considered. No one could be in his company for five minutes without being impressed with the conviction that the matter in hand was of supreme importance.

4. The flexibility of his mind, which supplied him with an endless flow of persuasive arguments and apposite thoughts on any topic with which he had to deal. It was by this means that he made finance popular and induced the country to appreciate its importance. As one of his hearers once said, "He endowed us with a faculty of apprehension we did not know we possessed."

This brief summary of Mr. Gladstone's personality relates mainly to his work as a public character; but all the attributes recapitulated above manifested themselves with additional force in the intercourse of private life.

The principles which he laid down for the administration of the national finances were consistently applied in the management of his own affairs. His economy of his own time, the result of many ingenious devices, enabled him to

transact a prodigious amount of business, without hurry and in faultless form.

His deep religious convictions, which never varied from the beginning to the end of his life, his vehement enthusiasm, and his noble example could not fail to inspire those who had the privilege of close association with him.

A very good man; a very great man; and a very gifted man.

GLADSTONE AS FINANCIER AND ECONOMIST

CHAPTER I

LIVERPOOL AND THE GLADSTONE FAMILY

"OXFORD on the surface, Liverpool underneath," was an old Whig's summing up of Mr. Gladstone, when, in 1859, he passed definitely from Conservatism to Liberalism on accepting the office of Chancellor of the Exchequer under Lord Palmerston.

William Ewart Gladstone was born at 62 Rodney Street, Liverpool, on December 29th, 1809. His father, John Gladstone, a Lowland Scot, was then a leading Liverpool merchant. His first wife had been a native of the town. His second, Anne Robertson, the mother of all his children, was of Highland stock. By blood, therefore, W. E. Gladstone was wholly Scotch. But the atmosphere of Liverpool, commercial and political, was the atmosphere which he breathed in the impressionable years of boyhood. In a sense Genius has no ancestry. It is a plant that may grow up anywhere, divinely sown and divinely nourished. Or we may, like the Romans, think of it as a guardian angel:—

> Scit Genius, natale comes qui temperat astrum,
> naturae deus humanae, mortalis in unum
> quodque caput, voltu mutabilis, albus et ater.*

---

* Horace, Epistles II, 2, 187. Conington translates:—

> "And none but he who watches them from birth,
> The Genius, guardian of each child of earth,
> Born when we're born and dying when we die,
> Now storm, now sunshine, knows the reason why."

Or again, Genius may appear to us as the vital spark of heavenly flame which flashes now and again in some human personality to spread light through a nation, or perhaps through a world, and afterwards, when it has expired, leaves a track of glory, a tradition and an inspiration to those who come after.

A great man cannot be explained. We may see how he has emerged; but neither his parentage nor his early environment will show why he has emerged. The home influences, the Scottish blood, the air of Liverpool, the school days at Eton, the training of Oxford—all these W. E. Gladstone shared more or less with his brothers. But his character and abilities were quite different from theirs, though he had no visible advantage over them. None the less, he was the child of circumstances and of opportunities; and when we come to trace and weigh the various influences that helped to mould his character and direct his energy, we know that Liverpool and his father had much to do with the making of the greatest of all the statesmen who have controlled the finances of this country. The bustle and stir of a thriving port, the atmosphere of a great merchant's home and the sense of business must have impressed the growing boy. Classical and religious influences supervened. His father urged him into politics; but Liverpool was never lost at Eton, or Oxford, or Westminster.

Touching Liverpool's history a few lines may be permitted. In mediæval times it was not really a port, but only a creek of the Customs port of Chester, though it had received a Borough Charter from King John, and from the reign of Edward VI had sent two members to Parliament. From Roman times until the beginning of the eighteenth century, Hoylake (near the Wirral) had afforded safe anchorage to vessels with cargoes bound for Chester or Liverpool. There, in the 'Lake of the Hoy,' they lay secure, discharging their cargoes into 'hoys,' as the flat boats or sailing barges were called. Adjoining the Hoylake was a good camping-ground

for the troops which assembled there for embarkation to Ireland from the days of Strongbow onwards.

In 1571, the inhabitants describe it as "Her Majesty's poor decayed town of Liverpool," but their pathetic picture of the place was probably exaggerated, as it occurs in a petition to Queen Elizabeth for relief from a subsidy which had been imposed upon them. But progress was certainly slow until the Commonwealth, when Liverpool's services to the Parliamentary cause were rewarded by Cromwell, who made it a separate Customs' authority. In the days of Charles II, as we are told in a famous chapter of Macaulay's "History of England," "Liverpool was described as a rising town which had recently made great advances, and which maintained profitable intercourse with Ireland and with the sugar colonies." In the sixteen years previous to 1685, the Customs dues collected at Liverpool had multiplied eightfold, and amounted to what was then considered the immense sum of £15,000 annually. "But the population," Macaulay adds, "can hardly have exceeded four thousand; the shipping was about fourteen hundred tons—less than the tonnage of a single modern Indiaman of the first class—and the whole number of seamen belonging to the port cannot be estimated as more than two hundred." After this, development was rapid. The port's dependence on the Hoylake anchorage ceased with the construction of a harbour at the mouth of the Mersey, which provided a safe and secure anchorage in the port itself. By 1760, the population had grown to about 25,000, and by 1778, Liverpool was able to equip 120 privateers, carrying nearly 2000 guns and 8754 seamen, to take part in the war against France and the American colonies.

Eight years later, at the age of twenty-two, John Gladstone left his father, who was a corn merchant in Leith, to join a similar business in Liverpool. It was the first step in a great business career. He prospered with the growth of the town, and in 1821 had risen to be one of its richest and most

influential citizens. According to the census of that year, it contained 118,972 inhabitants. Samuel Lewis, the topographer, writing in 1831, tells us that Liverpool had then attained first rank among British towns after the Metropolis, thanks to "its situation on the shore of a noble river, which expands into a wide estuary; its proximity to the Irish coast; its central position with respect to the United Kingdom; its intimate connection with the principal manufacturing districts and with every part of the kingdom by numerous rivers, canals and railroads; and the persevering industry and enterprising spirit of its inhabitants." At that time the commerce of the port fell into three distinct branches, of which the first and largest was the Irish trade. Next came the trade with the United States, of which Liverpool engrossed more than three-fourths, supplying Manchester and the manufacturing districts of Lancashire with cotton, the sales of which then averaged over 14,000 bales a week. By that time many regular lines of packet steamers had been established from Liverpool to New York, Philadelphia and Boston, which generally performed the voyage in about twenty-three days. Third in importance came the commerce which Liverpool carried on with the West Indies, in rivalry with Bristol. In 1848, before Sir John Gladstone's death and before his son became Chancellor of the Exchequer, Macaulay wrote: "At present Liverpool contains more than 300,000 inhabitants. The shipping registered at her port amounts to between 400,000 and 500,000 tons. Into her Customs House has been repeatedly paid in one year a sum more than twice as great as the whole income of the English Crown in 1685. . . . Her endless docks, quays and warehouses are among the wonders of the world."

John Gladstone's arrival in Liverpool (1786) took place twenty-three years before the birth of W. E. Gladstone, his fourth son and youngest child. His second son, Robertson Gladstone, who remained all his life in Liverpool, and presided for many years over the Financial Reform Association,

was born four years earlier, in 1805. Their mother, Anne Robertson, John Gladstone's second wife, claimed descent from a long line of Gaelic chiefs. Through her, perhaps, was drawn a strain of emotionalism and romantic chivalry which cast a glamour round several chapters in Gladstone's life, just as we may trace to his shrewd Lowland father those superb gifts of enterprise, foresight, sagacity and thrift which marked his conduct of national finance, as well as that incomparable industry and amazing mastery of detail which made him so great an administrator.

Indeed, W. E. Gladstone's debt to his father has not been fully appraised. John Gladstone was not only a most successful business man, but also a keen politician. Self-educated in commerce, and starting with but small capital, he accumulated, by successful ventures in trade with the West Indies, America and the East, a large fortune, which enabled him to provide handsomely for all his children, and to secure for his youngest son an income independent of office, which was then an invaluable, if not an indispensable adjunct to the career of a great statesman.

In religion and politics John Gladstone set out as a Presbyterian Whig, and was at first a Foxite in opposition to the war against Revolutionary France. Later on, in 1808, he joined other merchants trading with the United States in a protest against the Orders in Council with which the British Government had retaliated against Napoleon's Decrees; but, finding compensation in other branches of trade, he altered his views, and actually gave evidence in 1812 in favour of the Orders in Council. About this time John Gladstone was passing from Whiggism to Conservatism, and the transition was marked by a religious change from Presbyterianism to Anglicanism. This change perhaps was greater in form than in substance; at least, Lord Acton once told me that even in W. E. Gladstone's religious character there remained to the end stumps of stubborn Presbyterian doctrine!

While allying himself to Toryism, John Gladstone did not

altogether abandon enlightened views on politics and trade. He marked his political conversion by joining in an invitation to Canning, the most liberal member of Lord Liverpool's administration, to contest the town, of which he was by now a leading citizen, having received the Freedom in 1811. Canning stayed with John Gladstone at his house in Rodney Street during this contest; and W. E. Gladstone, then only three years old, saw the triumphal procession from the balcony after Canning's election. Soon afterwards John Gladstone moved three or four miles out of Liverpool, to Seaforth House, at the mouth of the Mersey, then a salubrious rural resort, and just beginning to be a suburb for successful Liverpool merchants.

"From my father's windows at Seaforth," so Mr. Gladstone told a Liverpool audience in 1890, "I used as a small boy to look southward along the shore to Liverpool. I remember well that it was crowned not so much by cloud as by a film of silver-grey smoke. . . . Four miles of the most beautiful sand that I ever knew offered to the aspirations of the youthful rider the most delightful method of finding access to Liverpool." John Gladstone celebrated this migration from Liverpool and his religious transition by building an Anglican church near to his new house; and from its first parson, William Rawson, young W. E. Gladstone received classical and mathematical instruction, displaying, we are told, such a distaste for figures as made his tutor despair of teaching arithmetic to one who was to take a first-class in mathematics at Oxford and to become the most famous of our Chancellors of the Exchequer.

John Gladstone's activities in business and politics at Liverpool continued until 1829, when he purchased the Fasque estate in Kincardineshire. After that time he visited Liverpool occasionally, and spent several winters in a town house in Edinburgh. John Gladstone's intimacy with Canning and his admiration for that statesman explain his support of Canning's Liberal foreign policy, including Greek

Independence. The name and fame of Canning made a deep impression on W. E. Gladstone's youthful mind, as we know from his Eton records and from a famous utterance of later years.

Canning, in truth, was the political idol of the whole Gladstone household, and they followed his Liberalism as well as his Toryism. During the debates of 1866 on the Reform Bill, Disraeli taunted Gladstone with his speech at the Oxford Union in 1831 against the great Reform Bill. In a splendid vindication, Gladstone acknowledged "the political errors of my boyhood"; but went on: "As the right hon. gentleman has exhibited me, let me exhibit myself. What he has stated is true. I deeply regret it; but I was bred under the shadow of the great name of Canning. Every influence connected with that name governed the politics of my childhood and my youth. With Canning, I rejoiced in the removal of religious disabilities, and in the character which he gave to our policy abroad; with Canning, I rejoiced in the opening which he made towards the establishment of free commercial interchanges between nations; with Canning, and under the shadow of that great name, and under the shadow of that yet more venerable name of Burke, I grant, my youthful mind and imagination were impressed with the same idle and futile fears which still bewilder and distract the mature mind of the right hon. gentleman. I had conceived that fear and alarm of the first Reform Bill in the days of my undergraduate career at Oxford which the right hon. gentleman now feels."

Gladstone's antipathy to the Reform Bill, expressed at the Oxford Union in 1831, was a boyish reflection of the sentiments that prompted Canning's epigrammatic conclusion to one of his Liverpool perorations: "Disfranchising Grampound I will save Old Sarum." The rotten or 'pocket' boroughs were only to be disfranchised when corruption was proved before a Committee of the House of Commons. They were a sacred and integral part of the British Constitu-

tion, which no good Tory in those days would willingly allow to disappear. But Canning, like Palmerston, though he hated democracy at home, was a friend of liberty abroad. He was proud of recognising the rising Republics of South America when they shook off the Spanish yoke, and declared in a more deservedly famous epigram which will never be forgotten: "I called the New World into existence to redress the balance of the Old." Not less remarkable than this antithesis between Canning's domestic and foreign policy was John Gladstone's readiness to support the cause of Greek Independence, though he was then the prosperous owner of two slave plantations in the West Indies. But many examples may be found in all ages and in all countries of sincere and honest men, with different and apparently inconsistent standards of social or political morality, applying unconsciously principles seemingly incompatible in their various actions and activities. Nothing is more characteristic in W. E. Gladstone's own career than the slow and often reluctant expansion of his opinions under the influence first of Canning, and then of Peel, until he ultimately passed definitely from Conservatism to Liberalism.

Canning was staying at Seaforth House when he said farewell to his Liverpool constituents after accepting the Governor-Generalship of India, an acceptance which was afterwards abandoned on the news of Londonderry's suicide. In place of Canning, John Gladstone prevailed upon the Liverpool Tories to choose as their candidate Canning's able ally, William Huskisson, the chief commercial reformer of that time; and while Huskisson was at the Board of Trade his reductions of the tariff received such steady and valuable support from John Gladstone both in and out of Parliament that he testified his gratitude in language of unusual warmth.*

When John Gladstone decided, as we have seen, to give up his house in Liverpool and live outside the town, he chose and reclaimed some land at the mouth of the Mersey.

* See biographical memoir of Huskisson prefixed to his speeches.

There he built a large stucco house, which he called "Seaforth"—apparently because his second wife, a Robertson, was connected with the Mackenzies, and Seaforth Loch, which divides Lewis from Harris, gave a title (Earl of Seaforth) to a branch of the Mackenzies. After John Gladstone removed to Fasque in Kincardineshire, the Seaforth neighbourhood became less fashionable, and when Sir John Gladstone's property was divided, none of the other brothers cared for the Seaforth estate. But the youngest gladly took it, seeing that in time the growth of Liverpool would add greatly to its value. And so it proved; but unfortunately he could not look after it for himself; much money was wasted on Seaforth House, and the estate was so ill-managed that he sold it too soon. There are a number of letters about it to his brother Robertson, all of them showing the sagacity and foresight of a first-rate business man, whose only difficulty was that he had not enough time to look after his private affairs. He foresaw the growth of building values on his property, and spent money with judgment and cautious enterprise in developing minerals on the Hawarden estate, which had been grossly mismanaged before he took it in hand. Several examples might be given of his shrewdness as an investor. Among foreign countries he had a partiality for Brazil, and used to give as a reason, not only its natural resources, but also the fact that revolutions in Brazil, though fairly frequent, were comparatively harmless and cheap, causing little loss to life or property.

A vast number of letters from Sir John Gladstone have been preserved by various members of the family, and one can see from these that later differences of opinion did not in the least impair the intimate and affectionate relations which existed between him and his youngest son. After his retirement in 1829 down to his death, the sons, as far as possible, portioned out the year in visits to Fasque, and it is clear from a correspondence, which is before me, between W. E. Gladstone and his brother Robertson, that the youngest son

willingly took the largest share; for every year he spent several months at Fasque.

It is difficult to measure the influence of John Gladstone; but the reputation he had earned at Liverpool for shrewdness, hard-headedness and success in business was undoubtedly well earned, and his commercial interests continued to the end. One of the stories handed down in the family, which I owe to Mr. Robert Gladstone, shows that in his old age at Fasque, when Sir John Gladstone was over eighty, he could still be a successful merchant venturer. One day he wrote to his old firm in Liverpool instructing them to buy him a ship (a brig) of certain dimensions. The partners in the Liverpool office, regarding these instructions as an indication of senile decay, thought it best to pay no attention to the letter. A little later the old man repeated his instructions, which were again disregarded. Shortly afterwards, however, the Liverpool firm was astounded to receive a letter from Sir John stating that, as they seemed unwilling to buy him the ship, he had himself gone to Montrose, where he had purchased a suitable one. This was sailing for Liverpool with a cargo which the firm was to sell, and credit his account with the proceeds. Having disposed of this first cargo, they were to load the ship with goods for China, in accordance with a list which he enclosed, and their agents in China, after disposing of these goods, were to load her with a return cargo, the nature of which was also specified in the letter. These instructions were carried out with fidelity by the Liverpool office, and the nett result was a profit to the veteran of over £10,000.

As writers and public men have sometimes identified Sir John Gladstone with the traffic in slaves, it may be well here to repeat a correction which was made in the *Liverpool Post* after Lord Birkenhead had committed this error in an after-dinner speech at Liverpool in September 1927. The slave trade (*i.e.* the traffic in slaves by British citizens) was abolished by a statute of George III from and after May 1st, 1807. Neither Sir John Gladstone nor any member of the

family had ever taken any part in that trade. About the year 1810, Sir John Gladstone, like other Liverpool shipowners, began to finance planters in Demerara and the West Indies, whose produce he carried in his ships. Eventually he took over several of the plantations, and on these plantations slave labour continued to be employed until August 1st, 1834, when all slaves in the British Dominions were emancipated by an Act of William IV, compensation being paid to the owners.

. . . . . .

It is not the purpose of this book to present a complete biography of Gladstone, but only to furnish so much narrative as will enable my readers to place his commercial labours and his financial achievements in their proper setting. He entered Eton in 1821, and enjoyed himself like other schoolboys. He played cricket and football, and was fond of roaming about the neighbourhood with congenial friends. He was fond, too, of sculling, read hard, and made a name as debater at 'Pop' (the well-known Eton society), and as Editor of the *Eton Miscellany*, which was launched in 1827. At the end of that year he left Eton, and in October 1828 went up to Christ Church, Oxford, where he shone among many brilliant contemporaries, excelling in the debates of the Oxford Union Society, and taking a Double First in Litterae Humaniores and Mathematics at the end of 1831.

About that time it had become necessary to work very hard to win the highest distinction in the Schools. My old friend, G. W. E. Russell, quoted Lord Halifax,* who was some years junior to Peel and some years senior to Gladstone, as saying, with reference to the increase of work required at Oxford: "My Double First must have been a better thing than Peel's; Gladstone's must have been better than mine." Gladstone must have read pretty hard all the time, but it seems that it was at a small reading party at Cuddesdon Vicarage, in the Long Vacation of 1830, that he first began to find enjoyment in those tremendous feats of labour which amazed his col-

* Sir Charles Wood, 1st Viscount Halifax (1800-1885).

leagues and subordinates at the Board of Trade twenty years later. For in a letter from Cuddesdon to his wife (January 22nd, 1852) I came upon the two following sentences: "I am much interested in coming back to poor old Cuddesdon. I think it was here that I first learned to like *hard* work."

The fame of Gladstone's Tory speeches at the Oxford Union reached the first Duke of Newcastle, whose son, Lord Lincoln, was a friend and admirer of the young orator. So the Duke invited him to stand for the borough of Newark, where his influence, usually predominant, had been broken at the previous election. Gladstone won the seat, and soon made a mark in the House of Commons. In 1834 the Melbourne Government fell, and Sir Robert Peel appointed Gladstone to be one of the Junior Lords of the Treasury in his first Administration, which lasted only for a few months. Before its defeat, he was appointed Under-Secretary for the Colonies, with Lord Aberdeen as his chief, thus beginning a close political friendship which lasted until the end of Aberdeen's life. In this capacity Gladstone introduced his first Bill into the House of Commons, known as the Colonial Passengers Act. Its object was to remove some of the miseries, such as overcrowding, which afflicted unfortunate emigrants who were then leaving our shores in thousands for Canada and the United States.

From 1835 onwards Gladstone was again in opposition, and his success as a debater led Macaulay, in his "Essay on Church and State," to describe him as "the rising hope of those stern and unbending Tories who follow, reluctantly and mutinously, a leader [Peel] whose experience and eloquence are indispensable to them, but whose cautious temper and moderate opinions they abhor." But it is not our business to describe Gladstone's life and politics in these years. It is enough for us that a rather barren period of opposition came to an end in 1841, and that he was then summoned to take an important part in one of the greatest and most useful of English Administrations.

CHAPTER II

SIR ROBERT PEEL'S REFORM OF PUBLIC FINANCE —MR. GLADSTONE AT THE BOARD OF TRADE

IN the spring and early summer of 1841, the Whig Ministry of Lord Melbourne, which had held office since 1835, had manifestly lost its strength and popularity, though its Leader in the House of Commons, Lord John Russell, was fighting a rearguard action with remarkable pluck and determination. Nearly fifty years afterwards, in the *Nineteenth Century* for January 1890, Gladstone paid a handsome tribute to Russell, and generously defended the Melbourne Administration from the strictures of Trevelyan and from the satire of Praed, a brilliant Tory contemporary, whose lines on the subject are in his best vein: —

> To promise, pause, prepare, postpone,
> And end by letting things alone;
> In short, to earn the people's pay
> By doing nothing every day.

A large allowance, wrote Gladstone, should be made for Lord Melbourne, as for all those "who were bred under the sinister influence of the French War." For that war, though not so intended, "became effectively a crusade against liberty in the internal Government of this country"; so that during its course "those organs of the mind which are favourable to freedom" dwindled into insignificance through disuse—a process of degeneration which affected prominent politicians like Melbourne, who had begun their careers as Foxites. The great achievements of the Whig Ministers had been their reforms of municipal government. The reformed bodies surpassed all expectations in providing for public health and other local needs. Their efficiency relieved Parliament of a

vast burden which it could not have borne, and provided a wonderful field for public-spirited citizens in the discharge of local duties. But there was one huge blot on the Melbourne Government. "Their finance down to 1839 was intolerably bad," and in that year they made matters worse by introducing the 'almost epoch-making' measure of penny postage without any provision for the deficit which it was certain to create. Gladstone remembered the tones of indignation in which Sir Robert Peel, a financial purist, denounced this piece of profligacy as the worst thing done by the reformed Parliament. Deficits became the order of the day, and Sir Francis Baring, the Chancellor of the Exchequer, will go down to history, as Peel portrayed him, "seated on an empty chest by the pool of bottomless deficiency fishing for a Budget."

In 1840 Baring had to confront—I quote Gladstone's words —"in circumstances of public distress the difficulty thus created" by penny postage. He added 5 per cent. to Customs and Excise; but trade flagged, and the revenue did not respond. Gladstone blamed Baring's plan because it deranged the transactions of tradesmen and aggravated the pressure of Protection on consumers. Next year, in his Budget speech at the end of April 1841, Baring had an estimated revenue of only £48,310,000 to meet an estimated expenditure of £50,731,000. Gladstone saw the drowning Ministry try to save itself on a Free Trade plank. It proposed to make such alterations in the duties on corn, sugar and timber as might conciliate Cobden and the now formidable Anti-Corn Law League, which was agitating for complete Free Trade. The proposed changes—including the substitution of a fixed duty on imported corn for the sliding scale—would have brought some relief to consumers as well as some accession of revenue; but it was too late to save a discredited Administration which had outlasted its usefulness and had outraged, by incompetent finance, the business instincts of the City. In comparison with modern standards

the nation was very poor. Food, raw materials and manufactured goods were heavily taxed; trade was stagnant; unemployment was general; pauperism rife; and wages, alike in town and country, were hardly above starvation point. Baring's experiment had proved that indirect taxation, in the shape of Customs duties and excise, could not be extended with advantage to the revenue, and now his attack on the Corn Laws alarmed the landlords, while the proposed alterations in the sugar and timber duties roused a storm of adverse criticism from powerful vested interests without creating enthusiasm among the Government supporters. At last, towards the end of June, Parliament was prorogued by Queen Victoria, and a dissolution was announced. In August, as a result of the General Election, Peel and his Conservative followers found themselves in a majority even greater than had been expected. When the new Parliament met, the estimated strength of the Parties was 367 Tories and Conservatives, 286 Whigs and Liberals. Gladstone was returned for Newark; Cobden entered Parliament for the first time as member for Stockport; and Disraeli was elected for Shrewsbury. On August 24th Parliament was opened by commission.

In its last days, as we have seen, the expiring Ministry had indicated its readiness to proceed a little way in the direction desired by Cobden and the Free Traders, who were afterwards known as 'the Manchester School.' Melbourne's Cabinet did not bow to the verdict of the country by immediate resignation, but met the new Parliament with a Queen's Speech which desired Members to consider whether some of the Customs duties were not "so trifling in amount as to be unproductive to the revenue, while they are vexatious to commerce," and "whether the principle of Protection, upon which others of these duties are founded, be not carried to an extent injurious alike to the income of the State and the interests of the people." Lord John Russell the Leader of the House of Commons, in his closing speech as a

Minister on August 28th, sounded a more daring note: "I am convinced," he said, "that if this country is governed by large and Liberal counsels, its power and might will spread and increase, and its influence will become greater and greater. Liberal principles will prevail, and civilisation will be spread to all parts of the globe."

After a three nights' debate on the Address, the Whig Ministers were defeated by 91 in a House of 629. Melbourne resigned, and the Queen sent for Sir Robert Peel, who proceeded to form a Government.

It was for Sir Robert Peel to begin, and for Gladstone to complete, the task of commercial and financial reform indicated, but hardly commenced, by their Whig predecessors. In the debates on Baring's Budget, which turned largely on the sugar duties, Gladstone had worked hard for Sir Robert Peel, and made a vigorous and effective speech. He was summoned to meetings at Sir Robert Peel's house, and noted on one of these occasions that Peel had the tradesmen's books on his desk—a proof, as it seemed, that the great statesman, like his great disciple, had a care for the economies of the household as well as of the State. After the General Election, Gladstone again attended select Party meetings at the houses of Sir Robert Peel and Lord Aberdeen. He heard Cobden spoken of as both resolute and perspicacious, and soon made up his mind that he would prove "a worrying man" for the new Government on the Corn Laws. Gladstone was summoned by the Prime Minister on the morning of August 31st, when Peel told him that he attached chief importance to questions of finance. As Prime Minister he could not undertake the business of Chancellor of the Exchequer in detail, and had therefore asked Goulburn to fill that office. Then he added: "I think we shall be very strong in the House of Commons if, as a part of this arrangement, you accept the post of Vice-President of the Board of Trade, and conduct the business of that department in the House of Commons with Lord Ripon as

President. I consider it an office of the highest importance, and you will have my unbounded confidence in it."

In 1841, the Board of Trade, with a much smaller staff than it now possesses, had a larger field of operations: for it possessed important functions which were afterwards transferred to the Treasury and Foreign Office. In 1880, writing to Joseph Chamberlain, whom he had just appointed President of the Board of Trade, Gladstone said:—

> "If you were to look back to the records of your department thirty-five and forty years ago, you would find how much of the public trade business was transacted in it. Revenue was then largely involved; and hence, I imagine, it came about that this business was taken over in a great degree by the Treasury. I myself have drawn up new tariffs in both, at the Board of Trade in 1842 and 1844–5, and at the Treasury in 1853 and 1860. Why and how the old B. of T. functions also passed in part to the F. O. I do not so well know."

It is clear from the diaries, quoted in Morley's "Life" (Book II, Chapter VII), that Gladstone was disappointed. He had hoped for Cabinet rank, and, curiously enough, felt himself unsuited for a commercial post. In reply to Sir Robert Peel's offer, he expressed his sense of the importance and responsibility of the office, but added: "It is right that I should say as strongly as I can that I am really not fit for it. I have no general knowledge of trade whatever; with a few questions I am acquainted, but they are such as have come across me incidentally." He referred, no doubt, to such subjects as Colonial sugar and to business information which he had picked up in Liverpool in conversation with his father and other merchants. Peel, well knowing what he was about, told his follower that the satisfactory conduct of the office must depend more upon a man's intrinsic qualities than upon the precise amount of his previous knowledge. He would have offered Gladstone the post of Chief Secretary for Ireland but for religious considerations; and had he himself

taken over the Exchequer, he would have asked Gladstone to be Financial Secretary to the Treasury. But, under the circumstances, that would be a position of secondary importance. When Peel spoke also of the Admiralty as a possibility, Gladstone interposed: "My objection on the score of fitness would certainly apply with even increased force to anything connected with the military and naval services of the country; for of them I know nothing. Nor have I any other object in view; there is no office to which I could designate myself. I think it my duty to act upon your judgment as to my qualifications. If it be your deliberate wish to make me Vice-President of the Board of Trade, I will not decline it; I will endeavour to put myself into harness, and to prepare myself for the place in the best manner I can; but it really is an apprenticeship." So the interview ended, but not before Peel had spoken in the most affectionate and complimentary language of the value he set upon his subordinate, and of "the brilliant destinies which I trust are in store for you." The concluding sentences in this entry of the diary (August 31st, 1841) cannot be omitted:—

> "It has always been my hope that I might be able to avoid this class of public employment. On this account I have not endeavoured to train myself for them. The place is very distasteful to me, and, what is of more importance, I fear I may hereafter demonstrate the unfitness I have to-day only stated. However, it comes to me, I think, as a matter of plain duty; it may be all the better for not being according to my own bent and leaning; I must forthwith go to work as a reluctant schoolboy meaning well."

If there was anything of the reluctant schoolboy on his initiation into the mysteries of the Board of Trade, it soon appeared that he had mistaken his own gifts, and unrivalled industry was soon followed by unrivalled proficiency. "At no time in the annals of Parliament," wrote Sir Robert Peel to John Gladstone, on June 16th, 1842 (in the course of a letter congratulating the father on his son's performances

during the tariff discussions), "has there been exhibited a more admirable combination of ability, extensive knowledge, temper and discretion." There can be no doubt about the rapidity with which he mastered his subject; for afterwards, in a note of autobiography, he declares that at the time when he became Vice-President of the Board of Trade he was "totally ignorant both of political economy and of the commerce of the country." On all those matters his mind was "a sheet of white paper," except that it was coloured by a prejudice in favour of Protection, "which had then quite recently become a distinctive mark of Conservatism." In a spirit of ignorant mortification he had said to himself at the moment: "The science of politics deals with the government of men, but I am set to govern packages." The truth is that Gladstone united with physical and mental resourcefulness immense industry and power of concentration. In his earlier days of office, as he told Morley, a fourteen-hours' day was usual. Sir James Graham said that Gladstone could do in four hours what any other man would need sixteen to accomplish, and that Gladstone worked sixteen! Thus a miracle is explained by a miracle.

In addition to the Vice-Presidency of the Board of Trade, Gladstone was appointed Master of the Mint and a Privy Councillor.

In those days the Civil Service had not been thrown open to public competition, and most Departments were carried on in leisurely fashion by clerks who usually owed their jobs to favour and patronage. It had been recognised, however, that a higher standard was required for the Board of Trade; and it had been fortunate in its high officials, among whom Deacon Hume, Porter and MacGregor had contributed to its efficiency and reputation. Deacon Hume had helped to consolidate the Customs Laws in 1825, and, with Ricardo, was one of the founders of the Political Economy Club. He had retired in 1840, but his evidence before the Select Committee on Import Duties, which reported in July 1840, was

constantly quoted by Sir Robert Peel and others during the revision of the tariff. The other two were Joint Secretaries of the Board of Trade when Gladstone joined it. Porter was an excellent statistician, and his "Progress of the Nation" is still a valuable authority for the period. MacGregor had also written useful books on foreign and colonial trade, though he was not an altogether satisfactory official, and got into trouble with Lord Ripon, who seems to have suggested his resignation. MacGregor, however, remained; and very soon, though Lord Ripon was the nominal head, Gladstone was practically directing the work of the Department, which, indeed, could hardly have been controlled by a President in the House of Lords.

Gladstone was fortunate in securing the services of an able Private Secretary—R. W. Rawson—one of his junior contemporaries at Eton, who had already been twelve years at the Board of Trade, and was second in the recently created Statistical Department. Rawson survived Gladstone, and I had the pleasure of a long talk with him a short time before his death. His official connection with the Vice-President of the Board of Trade lasted only nine months; but he had a lively recollection of Gladstone's energy, of the modesty which marked his dealings with seniors or superiors, and of the confidence, consideration and generosity with which he treated his subordinates. At the end of last century, Rawson and other old officials of the Board of Trade were fond of describing the official interferences with commerce, the petitions from merchants, the wire-pulling of rival interests, the endless litigation that arose from the intricacies and absurdities of the Customs. Gladstone had to stand the fire of privileged interests, which took alarm very soon after Peel's Government came into power. Rawson would often be called on to write a score or two of letters in a day to those who benefited from some particular duty and feared that it might be reduced or removed altogether. Gladstone's subtlety and ingenuity of mind, hitherto practised mainly in

theology and Parliamentary procedure, were now applied to commercial statistics and Customs law.

When Rawson, in the summer of 1842, was appointed Secretary to the Governor of Canada, he suggested to Gladstone that the Department might be improved by an infusion of new blood, and at Gladstone's request went to Eton to consult Coleridge—one of the masters there. Coleridge suggested three Etonians—Thomas Farrer, who rose in the Civil Service to be Permanent Secretary to the Board of Trade,* Stafford Northcote and one Pocock. The choice really lay between the first two, who were bosom friends, and shortly afterwards became brothers-in-law; and they were themselves consulted about it. Northcote's position and personal tastes were both in favour of a political career, while Farrer (as he told me) had no turn for it. Accordingly the secretaryship fell to Northcote.† Gladstone had pointed out to Coleridge in a letter that the work was hard and the pay scanty. But Northcote was delighted at the prospect, and wrote to his father:—

> "The duties of the situation are principally to open all letters addressed to Mr. Gladstone, to make notes of their contents and submit them to him, and, after receiving his instructions, to write answers to them; but he requires a person who will be ready to go along with him in all things, and whom he may treat quite confidentially. The requisites, as my tutor Coleridge expresses them, are chiefly 'modesty, quickness, readiness to oblige and a ready pen.' . . . From what I know of Gladstone's character there is no single statesman of the present day to whom I would more gladly attach myself; and I should think, from the talents he has shown for business since he came into office, there is no one more likely to retain his position, unless some *revolution* takes place."

After accepting the post (on June 30th, 1842) Northcote

* After his retirement he was raised to the peerage, and became President of the Cobden Club.

† In 1862 Sir Stafford Northcote (afterwards Lord Iddesleigh) dedicated his "Twenty Years of Financial Policy" to Coleridge.

wrote even more enthusiastically of Gladstone as "the man of all others among the statesmen of the present day" with whom he would wish to serve, not only as representative of right principles, but also because he was pre-eminent as a man of business, and, "humanly speaking," sure to rise in political life.

On February 8th, 1842, Gladstone began his career of public finance by proposing a series of resolutions for the abolition or reduction of the duties levied in our Colonies upon the products of foreign countries.* He aimed not only at a relaxation of the "system of severe taxation, and almost of prohibition," which prevailed in our Western Colonies, but also at legislative and administrative simplification. Previous laws were to be repealed; a single and consolidated Act was to be substituted. The absurd and wasteful anomaly of a duplicate system of Custom Houses was at last to be abolished: "It was the intention of the Board of Trade to call the attention of the other Departments of the Government . . . to the anomaly of having two sets of Custom House officers in those Colonies, to the waste of public money arising from the system, and to the necessity for an arrangement, with a view to the consolidation of the establishment and the consequent saving of expense." The contrast between the trifling differential duties levied upon foreign produce in our Eastern Colonial possessions and the heavy and often prohibitive rates inflicted on Canada and the West Indies ought obviously to be done away with. But he believed it was in conformity with the desire of the people of Canada that some tax of a moderate description should be imposed on the importation into that Colony of American corn and flour. "On the American side of the border, a very considerable import tax, amounting to nearly ten shillings per quarter, was levied on the produce of Canada entering the United States. Of

* The movement for conferring self-government on some of the Colonies had begun, but Colonial Customs were still under the control of the home Government.

course, he did not intend to impose any such rate of duty—the duty he meant to propose would be three shillings per quarter. The ground on which he thought provisions coming into Canada from the United States should be subject to a duty imposed by the authority of the Imperial Parliament was, in fact, that Canada sent to this country considerable quantities of grain and flour; and he was happy to say Canada showed indications of sending over still greater quantities, so soon as her natural capabilities were developed by the fostering influence of peace and of wise local legislation. On this account the only articles to which he meant to apply the duties were those he had mentioned. The theory of the law was to afford an advantage to Canadian produce on being sent to the British market; and it seemed to him desirable that when this country sent forth thousands of Englishmen to North America as emigrants, the Imperial Legislature ought not to allow those who emigrated to, and became citizens of, the United States to put themselves into possession of a privilege intended only for British subjects—a privilege the American settlers could now acquire by sending their produce and provisions through Canada to this country."

Against this provision Labouchere protested; but it was the only one which excited unfavourable criticism. Taking the plan as a whole, we may admit Gladstone's claim that it afforded an opportunity of rendering to their Colonial fellow-subjects "another of those acts of goodwill to which alone they believed they were to look for cementing the connection between the Colonies and the mother country."

A speech expounding the intricacies of Colonial Customs and explaining a scheme of simplification was not a sufficient exercise for Gladstone's energies. On the very same night he rose to ask leave to bring in a Bill for the better regulation of railroads. Here, too, his mastery of the details of the subject is very remarkable, but it will be convenient to defer this matter to a later chapter.

At Peel's request, Gladstone examined the Corn Duties. He worked diligently at the sliding scale and came to the conclusion that the Cabinet's reductions were inadequate. He tried hard to persuade Peel to adopt a lower scale of duties in order that the average price might be cheaper; but Peel felt that he could not carry his party any further at the time.

The Ministerial plan for a modification of the Corn Laws by a rearrangement of the sliding scale, with a view to maintaining an average price of fifty-six shillings a quarter, was explained by Sir Robert Peel on February 9th.* On the 14th, Lord John Russell criticised the theory advocated by Malthus and laid down by Peel, "that you ought to make this country independent of foreign nations" for its food supply. "I confess," said the Whig leader, "that, although that principle might be an excellent one for some remote and sequestered State—such as that city which is supposed to exist somewhere in Mexico, which is said to have no communication with the rest of mankind—I cannot conceive how it is applicable to this great commercial country."

Gladstone's reply, in a speech covering thirty pages of Hansard, was a very able performance. He supported the principles of Peel and Malthus by the authority of Huskisson, and contrasted Lord John Russell's view that it would be disgraceful for the Legislature to destroy a tariff upon faith in which an enormous capital had been invested, with "the clamour" of the Leaguers, who had contended at a recent conference that the free importation of corn was a natural and inalienable law of the Creator. Gladstone, however, did not commit himself very deeply to the Corn Laws. He held that either a graduated scale, or a fixed duty, or a perfectly free trade in corn was open to serious objections. What lay before them was a choice of difficulties, and a choice of evils, of which it was their duty to choose the least.

* It is enough to give the superior and inferior limits of the duty. When the price of corn in the British market was under fifty-one shillings a quarter, the duty was to be twenty shillings; when the price rose to seventy-five shillings, the duty was to disappear.

He was ready to admit that the present law had not operated in the way in which it was thought it would operate, but that it had pressed with very considerable severity on the consumer. But let them consider with fairness the charges made against the present law, and the degree in which it was fairly open to them. "There had gone forth a denunciation—and he believed some honourable members in that House would be found among the supporters of the doctrine—against the present system of Corn Laws as the main source of the existing distresses of the country. Now it was wonderful and almost incredible that dispassionate and able minds, that men of searching and acute understanding, should attribute to the Corn Laws evils which were evidently traceable, not to human causes, but to those dispensations of Providence which ordained the hazards of a periodical defalcation in the food of man."

When Gladstone at length sat down, amid "loud cheers, in which both sides of the House cordially joined,"* the general impression given by the speech was not very unfairly represented by Charles Wood (afterwards Lord Halifax), who remarked that he had given "indisputable proof that the measure now proposed would give no satisfaction to anyone."† The tone of the speech is apologetic. It was the best available defence of an unsatisfactory compromise.

* Hansard, 3rd series, vol. lx., p. 385.

† The amendment, however, was negatived by a majority of 123.

CHAPTER III

FIRST REVISION OF THE TARIFF

IN politics a Minister cannot afford to be logical. And in 1842 Peel needed all his courage and persuasiveness for a great Budget. The Corn Bill was a sop to the agricultural interest—to the country party of landlords and farmers on whom the stability of his Administration depended. Otherwise he could not have carried income tax or tariff reform. He made his financial statement on March 11th. The estimated deficiency for the year was more than two and a half millions. He proposed to increase it to £3,780,000 by reducing, and in some cases abolishing, the duties upon 750 of the 1200 articles then on the tariff. The whole deficiency was to be covered and the national economy established on a sound basis by the imposition of an income tax of 3 per cent. The Minister was determined that under his rule the nation should be solvent. It was a critical moment. We have no conception now of the strength of the feeling which Peel had determined to overcome. The income tax was regarded as a terrible impost, which could only be justified by the exigencies of a huge war. In 1802 Burdett had said: "The income tax has created an inquisitorial power of the most partial, offensive and cruel nature. The whole transactions of a life may be inquired into, family affairs laid open, and an Englishman, like a culprit, summoned to attend commissioners, compelled to wait, like a lackey, in their antechamber from day to day until they are ready to institute their inquisition into his property." And on April 8th, 1842, Sheil, after quoting this with approval, expressed his surprise that even Peel should have been able to force it down the

throats of his party: "To create an additional deficiency in order to repair it by an income tax, to inflict a new wound in order to apply a favourite cure, is more than tentative, and if my right honourable friend the late Chancellor of the Exchequer [Baring] had made a proposition like this, he would have been regarded as an empiric of the most adventurous kind. But it is the good fortune of the right honourable baronet that his supporters entertain in his regard that sort of confidence which Waller has happily described in his celebrated address to the great Protector:—

> 'Still as you rise, the State, exalted too,
> Feels no disorder when 'tis changed by you.' "*

He made an effective contrast between Peel's argument for the income tax and his speech a few weeks earlier on a motion for the repeal of the Corn Laws. "The distresses of the country were then, forsooth, transitory and evanescent;" but now, when an income tax was to be imposed, the difficulties and dangers of the country had become appalling. "If, Sir, at the close of that speech, someone who had lived in sequestration from the world, and for the last five or six years had not heard of the events which have passed within that period, had chanced to have entered this House, he would, I think, have been tempted to exclaim—appalled by the right honourable baronet's magnificent peroration: 'Good God! what has happened? Is England brought to the verge of ruin? Has one greater than Napoleon appeared? Is the world in arms against England? Have her fleets been sunk in the ocean?' "

To return to the tariff: Sir Robert Peel announced that the imposition of the income tax would enable him to convert the deficiency into a surplus of more than a million. And this surplus he proposed to apply in the remission of those taxes

* How aptly the couplet describes the extraordinary quality by which Gladstone, even more than Peel, was able to effect legal revolutions in the most conservative country in the world!

which were most unfavourable to trade. The revision of the tariff was carried out in accordance with six general rules:—

1. The removal of prohibitions and of virtually prohibitory duties.
2. The reduction of duties on most raw materials to a 5 per cent. maximum.
3. The reduction of duties on semi-manufactured articles to a 10 or 12½ per cent. maximum.
4. The reduction of duties on fully manufactured articles to a 20 per cent. maximum.
5. The introduction of special and additional remissions of duties to favour Colonial products.
6. The abolition of export duties on manufactures.

The loss of revenue which would result was calculated as follows:—

1. Reduction of timber duties . .	£600,000
2. ,, ,, coffee ,, . .	£170,000
3. A vast number of smaller reductions	£270,000
4. The abolition of the ½ per cent. export duty	£100,000
Total .	£1,140,000

But the relief to the consumer was very much greater than the loss to revenue. "We believe," wrote Gladstone at the end of the year, "that it might, without over-statement, be taken at two millions of money."* In lowering the duties upon all important articles, some counterpoise was to be found in the increase of consumption. "In reductions upon manufactured goods, we may often look for an increased revenue from the very same nominal diminution of duty which opens new competition in the article, and thereby cheapens it to the consumer. In the removal of absolute prohibitions, and by bringing down prohibitory duties to an

* *Foreign and Colonial Quarterly Review*, January 1843, p. 255.

amount which will render a trade in them possible, new revenues are created which before were unheard of."

Perhaps the most severe criticism that can be passed on Peel and Gladstone's first revision of the tariff is this: that the principle followed in dealing with hundreds of Customs duties, which hampered trade and raised prices without yielding any substantial revenue, was diminution instead of abolition. "As far as raw materials are concerned," wrote Gladstone in the article just referred to, "most of the late reductions, such as those on turpentine, tar, indigo, cork and many other articles, have been so sweeping that the revenue upon them is virtually surrendered." Exactly; but why continue that vexatious ceremonial with the Customs officials which makes no inconsiderable addition to the price of goods? The question was answered in thorough-going fashion three years later. It will be seen that the greatest sacrifice in revenue was entailed by the reduction of the taxes on timber; and Sir Robert Peel was severely criticised for his imprudence. Gladstone's defence of his chief on this score must be reserved for a later chapter.

There is a tradition that in Peel's Cabinet Sir James Graham alone had read and mastered the science of Political Economy, chiefly in Sir Henry Parnell's work on Financial Reform. This may be true. But Gladstone too must have made some study of economic theory before his speech of March 9th, 1842, on the second reading of the Corn Laws Importation Bill: "Is it possible," he asks, in the course of an attempt to combat the argument that the Corn Laws diminished the demand for labour, "any man can doubt that a repeal of the Corn Laws would at once displace a vast mass of agricultural labour?

> "This has been to a great extent treated as a landlord's question, but I will contend that for the present generation, at least, it is more of a labourer's question. What is the rent which is said to be augmented by these laws? Now the most approved authorities in political economy have

defined rent as the surplus produce the land yields after the cost of cultivation and the maintenance of the cultivator. This being so, and considering the many classes of land in cultivation, it is further taught by these writers that the lowest class yields no rent, or, at least, that the returns are exceedingly small, and may be put out of account. If you raise the price of agricultural produce in any country you will bring a much wider extent of land into cultivation, and therefore the poorer soils would be tilled, and if the poorer soils in our country be cultivated through the rise of the price of agricultural produce, it follows that if you diminish prices so as to limit production, the effect must be to throw the poorer soils out of cultivation. This might diminish rents, but in the present extent of cultivation it is clear that if you reduce rents, it must be by throwing certain lands out of cultivation, and you must therefore at the same time throw out of employment a great body of labourers."

Bimetallists used to complain that Mr. Gladstone did not read their prophets in his old age: landlords could not object that he had not read Ricardo in Corn Law days.

It would be impossible in a short space to notice all the topics which Gladstone found occasion to discuss in this busy session. In a single week of April (1842) he made five speeches on the Colonial Customs duties. On the 10th of May Sir Robert Peel explained the principles upon which he intended to proceed in the reform of the tariff. Labouchere twitted the Government as deserters to the very principles for which they had turned the Whig Government out of office. Disraeli made out that Free Trade was the traditional policy of the Tory Party. The doctrines of Free Trade were not a modern invention: "it was Mr. Pitt who first promulgated them in 1787." It is true that according to Disraeli Free Trade was equivalent to "a system of complete reciprocity"; but that is only a piece of carelessness. The point of interest is his complete approval of Free Trade, which he regarded (May 10th, 1842) as not only a good thing, but a Tory thing. Mr. Gladstone ignored the speech, but took a

similar line in his reply to Hume and Labouchere. He suggested, however, that it would be advisable to get to business, and he soon had plenty on his hands. On May 13th he was classifying braziletto wood, ebony, wrought copper and pitch in a peculiar category of the differential duties in favour of our Colonies. He entered into all the details of the tariff. Cassava powder, bacon, onions, butter, cement, corks and straw hats—on all of these and many other details Gladstone disserted. One discussion, upon fish, deserves notice. Hitherto the aristocracy of this country, which had heaped up thousands of paltry duties upon almost every article of consumption, including fish, had specially exempted lobsters and turbot. Peel and Gladstone proposed uniformity in the fish tariff. They would have put a small duty on both lobsters and turbot. A storm of indignation greeted this proposal. The gentry were as virtuously angry over a prospective increase in the price of lobsters as they would have been over a prospective decrease in the price of bread. An alderman, a major and a captain rose in quick succession. Peel tried to stem the municipal and military tide. "Our object," he said, "in proposing this duty is that, if you look at the prohibition in fish, it will be found not to extend to those which are articles of luxury. It is urged against the law with respect to fish that turbots and lobsters are excepted. We think it right not to except fish which is consumed by the upper classes. The duty is now laid on turbot for the first time, which surely it ought to be." Gladstone supported him. But a viscount supported the alderman. Peel was cowed. The duty on lobsters was abandoned. Turbot remained. As to this, Alderman Humphery "complained of the alteration in the tariff since its original proposal, whereby various descriptions of fish were required to be brought into our ports in other than fishing-vessels; and especially in regard to turbot, which he said would be spoiled in the transportation from one vessel to another." Gladstone said that he could quiet the mind of the worthy alderman on the sub-

ject of turbot, about which he felt so natural an anxiety. It was not intended to make any change in the mode of importing turbot; and the object of the honourable member would be at once answered by placing turbot immediately after lobsters in the tariff. So ended a debate unequalled in importance since that immortal discussion on another turbot between a Roman Emperor and his Councillors.*

On May 23rd Gladstone made a remarkable speech on the importation of live cattle, in which he gently ridiculed the timidity and extravagance of those gentlemen "who were the ornaments of what he might call the science of agriculture," but who, unfortunately for that science, "did not always cherish a sense of the benefits derived from the skill and enterprise applied to it, but were rather inclined to rely overmuch on the so-termed Protection of legislative enactments." One wild calculation concerning the probable effects of the new tariff upset another. There was one that the price of meat would immediately be reduced by twopence or threepence per pound. But he had also seen a statement in one of the newspapers in which it was "mathematically proved" that a hundred sows in three or five years would give birth to 232,000,000 pigs. We shall see that an effective quotation from this speech was made in the following year by Viscount Howick.

Loud were the groans and complaints of landlords and butchers. Shortly after the tariff came into force a fall in the price of stock did take place; and many English and all Irish newspapers adopted such headings as, "The Effects of the New Tariff."

We return to the summer of 1842. On June 22nd Cobden wrote to his brother Frederick: "Peel is a Free Trader, and so are Ripon and Gladstone. The last was put in by the Puseyites, who thought they had insinuated the wedge, but they now complain that he has been quite absorbed by Peel, which is the fact. Gladstone makes a very clever *aide-de-*

* Juvenal, Satire V.

camp to Peel, but is nothing without him." Everything that Cobden wrote is worth attention; but his want of sympathy with the Ministers, as well as with the official Opposition, prevented him from analysing their characters, their motives, their principles and their relations to one another with his customary shrewdness. He was perhaps too anxious "to get away to Manchester" to understand Parliamentary conditions. In later years Gladstone and Cobden began to understand one another better.

All through the session of 1842 Gladstone was occupied in answering small questions relating to the details of the tariff or in parrying the blows which the Whigs and the Free Traders were constantly aiming at the Government. He spoke more than one hundred times in the House on this his first tariff, which, as he afterwards said, gave him more trouble than all the later ones put together.

In November 1842 Gladstone began to put into shape an article, already noticed, which exhibits more clearly than any of his speeches in Parliament the extraordinary progress of his mind in the year following his admission to the Ministry of Peel. Peel is said to have vowed in 1842 that he would never make another speech against Free Trade. It is not too much to say that after a year's work at the Board of Trade Gladstone could not harbour another Protectionist thought. His article, entitled "The Course of Commercial Policy at Home and Abroad," was finished in December 1842. On the 10th of that month he wrote to Mrs. Gladstone from Whitehall: "My article is to be printed in the new review, and the editor, Dr. Worthington, sends many thanks. My wish to maintain secrecy about it had, and has, reference merely to the Government, whom it might be supposed more or less to commit. As to myself individually, there is nothing in it that I have the least desire to keep back from owning; and from Lord Ripon's point of view I do not think there is anything in it that could be made a handle against the Government." The new review to which he refers was the

Foreign and Colonial Quarterly, and Gladstone's article was published anonymously, early in 1843, with a number of additions to the original draft.

The article opens with a eulogy of the writings of John MacGregor, which "indicate the growth of the processes of reciprocal dependence between nations, the increasing measure of the interest felt by each in the commercial and material concerns of its neighbours, the nicer balance of the powers of production among them, and the keen rivalry and vigilant and suspicious observation which prevail, at a time when the labourers and capitalists of England are beginning to feel that their condition may be from time to time seriously, though secondarily, affected by the proceedings of Governments other than their own." * There was no reason why the increase of international dependence and the breaking down of tariff barriers need frighten Englishmen. British industry had nothing to fear from a steady and gradual increase in the importation of all commodities which can be produced abroad at a less cost of human labour and of capital than among ourselves; whereas it had "everything to fear from the cessation or decline of that mighty course of operations whereby benefits . . . are exchanged between the several families of the human race."

Then, as now, there was much controversy about the relative merits of home and foreign trade. Gladstone held that both were essential to Britain's prosperity. In modification of the theory that profits tend to equalise as between branches of trade, he points out that "in trade, as in other matters, possession is of immense consequence; the dealer or the class of dealers whose connections are already formed, whose credit is established, who is thoroughly acquainted

* MacGregor, who had written on "The Resources and Statistics of Nations" in 1835, became Joint Secretary of the Board of Trade in 1840. Mr. Gladstone had not a very high opinion of MacGregor. At least he afterwards described him as "a loose-minded Free Trader" (see Morley's "Life of Gladstone," Book II, Chapter I).

with the tastes of his customers and the wants of a particular market, from long usage, has . . . an immense advantage over an upstart competitor." The risks and speculative possibilities of foreign trade ventures are compared with the humdrum safety of domestic trade. The home market is the original one, and is comparatively permanent, and equable even in its extension and contraction, whereas the foreign market is . . . marked by brilliant successes and by great reverses." The sugar estates of Demerara, the copper mines of Cuba and sheep-farming in Australia might be counted among the former. Among the latter he referred to the losses in cotton of 1819 and 1820, the failures in 1837 of great East Indian and American houses, the range of prices in the tea market, which had fluctuated from 1*s.* 2*d.* to 3*s.* 2*d.* per lb. since the interruption in 1839 of our trade with China.

Great Britain's exports amounted at that time to about £50 millions annually, £14 millions of which went to the Colonies. This trade England could not afford to lose. During the past year, he pointed out, conditions had been very bad, in spite of the fact that the home market, "*so far as that market depends upon the high scale of remuneration to the growers of agricultural produce and to the owners of the soil,*" was in a flourishing condition. "It is the paralysis of our foreign trade . . . which has been the cause of much of this distress." To what this paralysis was due, or what form it took, he did not specify.

Those who advocated an extension of our foreign markets meant in effect: "Consent to buy from other nations that which Providence has enabled them to give you upon better terms than you can give it yourselves." Then Gladstone added: "We manifestly reserve a larger surplus for the purchase of such commodities as we are able to raise or to manufacture to advantage," and came to the conclusion that "the home trade and the foreign trade are likely on the whole to flourish conjunctively, and not disjunctively."

Gladstone notices in the course of his argument a rumour

circulated by the *Journal des Débats* for November 9th, 1842, that foreign nations were combining against England in a "union of all the industrial forces of Western Europe against the growing productive power of this redoubtable rival." He connected it with "those anti-commercial ideas" lately propagated in Germany by Dr. List,* "which appear to have a very strong hold over an active party in America, and which constitute a sort of gospel to the manufacturers of France, with the signal exception of the silk trade of that country." But, admitting the possibility, he would not admit the probability, of the danger. Even assuming such a combination to be practicable, the policy would be disastrous to all parties, and "of them all England is best provided with the means of bearing it." There was another and more ridiculous fear of an armed coalition against England. He acutely analysed the grounds for "so preposterous a conception"—the raising of the French and German tariffs on English linen yarns, and "a disreputable and humiliating proposal" to which Belgium had been forced to consent. Moreover, "Russia, according to her wont in such matters, and Spain have published within the last fifteen months new tariffs, of which it is difficult to say whether they are still worse than, or only as execrably bad as, those which they succeeded; but in the close rivalry between the old and the new, the latter seem, upon the whole, entitled to the palm of prohibitive rigour."

But, looking round, Gladstone saw some signs of hope—protests of Parisian manufacturers, of American importers, improvements in the tariffs of Holland, Sardinia and Austria. "Nay, even from the great white bear of Russia there have been semi-inarticulate growls, believed to be meant to express great uneasiness under the present system, and to announce the probability of change." It was urged that England should enter "the unseemly warfare of commercial

* The celebrated Friedrich List, author of "The National System of Political Economy."

retaliations."* But why? What would be the consequences of following the example of France? "We must buy dear instead of cheap because she chooses to do it. We must waste our national wealth because she chooses to waste hers." The principles of such a policy would be exactly the same as those of war, "and we are not aware of any moral or social benefit to counterbalance the economical disadvantage thus incurred." Nay, commercial retaliation may engender even more acrimony than war, "on the same principles as those which have led Machiavelli to teach that a man's life may be taken with more safety to the criminal agent than his estate." England, then, must not be tempted to follow France into the snares of Protection. As for the bad language of French journals, "it is received by us, according to our different temperaments and characters, with silence, with wonder, with amusement, with sorrow, with contempt. We trust the predominant feeling is one of regret that a nation having so many noble gifts, and with which our amity ought to be as close as our neighbourhood, should be so strangely travestied in the momentary organs of her popular sentiment."

But England was better equipped than any other nation to face a conspiracy against her foreign trade, for she

> "stands to the rest of the world rather in the condition of a producing than of a consuming country. . . . As a general rule she receives what is unwrought and she gives what is wrought; or she receives what is little wrought and gives what is much wrought. Of two countries, the one thus situated and the other in the inverse position, we believe the latter to be more at the mercy of the former than the former of the latter; while we freely admit that either can confer upon the other immense benefit or can inflict on it enormous injury. The country which by capital and skill has become the greatest workshop of the world has already passed through the stages of material advancement in

* About this time Disraeli began to argue for Reciprocity and Retaliation as a substitute for Peel's policy.

which the nations that are her great customers still remain, and has made good her ground beyond them. Her enormous capital may waste for generations before it sinks to the level of equality with that of other countries. If all regular exchange of productions were to cease, she has the hoards of accumulated labour upon which to subsist; and she would then be in the condition of the richest among the inhabitants of a beleaguered city pressed with famine as to her command of necessaries and comforts by the power of money. From that cessation she, indeed, with the rest, would suffer dreadfully. If we take it into the account that our wants increase in this world with our wealth, and our sensibilities to privation perhaps more rapidly than either, it may be that our highly stimulated and pampered appetite would be worse calculated to endure the processes of commercial retrogression than might be the case in other countries, if there be such as are poorer indeed in their possessions but richer in their contentment. Subjectively, therefore, the infliction upon England, or, at least, its first shock and pressure, might be equal to, or even greater than, that to be experienced elsewhere; but as to the absolute loss of wealth from the stoppage of the beneficial exchange of productions, it is clear that she who holds most has most to spend. If the florid and full-blooded constitution cannot bear depletion, much less can the spare and meagre one."

There were many, of course, who would have liked England to adopt retaliatory measures against the countries which were raising their tariffs against our goods. But Gladstone pointed out the costs of retaliation—"the loss of productive power by forcing new and artificial trades in the hot-houses of Protection; the internal obstacles we should raise up in the way of return to better commercial measures; the loss of goodwill and relaxation of political amity; the difficulty of determining the due measures of retaliation, the almost certainty of our smiting those whom we should not intend to smite." Besides this, the reduction of international trade which would inevitably follow any increase of Protection must injure us, "not only as producers, but likewise as

carriers, and we should thus receive a double blow, while we should strike a single one."

In spite of the uproar which accompanied the introduction of the new tariff in the previous spring, and the protestations of impending ruin, few complaints were heard now that it had come into operation. This went to prove that British industry could dispense with high Protection. But, wrote Gladstone, "the question may be deemed more dubious as regards agricultural produce." Agriculturists require the stimulus of competition. Agriculture shares the natural benefits of manufacture in England—abundance of capital and extensive combination of labour. The comparative bulk and perishableness of agricultural produce make proximity to markets essential, and therefore the foreigner is at a disadvantage. Gladstone did not share the British farmer's prejudice against high wages. To quote his own words:—

> "If we ask the British farmer why it is that he requires Protection, he will probably reply, on account of the high rate of wages which, besides his rates, he has to pay. But if this were so, it would be at least a probable consequence that he would thrive most in the country where the rate of wages is lowest, and least where it is highest. So far, however, is this from being true, that we apprehend the proposition would be less wide of the mark if it were inverted."

"Several years have elapsed," he wrote, "since Sir Robert Peel, then the leader of the Opposition, declared in the House of Commons that, in his judgment, the agriculture of the country had derived more benefit from the growth of its commerce than from the then existing or any other corn law." Again, "as to the distress of our people"—this was in the Hungry Forties—"has it arisen from the Corn Law? or from over-production? or from the undue extension of credit through the medium of joint stock banks? or from the introduction of machinery? or from the immense absorption of our capital in inactive and now valueless loans abroad, which has amounted, we believe, during the last fifteen or twenty

years, to some 50 millions sterling? or from the very great amount of actual difference in material wealth occasioned to the nation by the successive occurrence of four bad harvests in the years from 1838 to 1841 inclusive, which perhaps we may venture rudely to compute, without extravagance, at 10 millions sterling a year, or 40 millions of money's worth in the whole? or from the increased expenditure of the Government, and increased taxation to the amount of perhaps 3 millions annually? or from the loss of continental demand for manufactured goods and the obstruction from special causes of certain channels of our foreign trade—for example, the expanding market of China?"

While attributing a certain responsibility to each of these causes, he laid great stress on the evil of over-production. Manufacturers struggled on in the face of already glutted markets, and tried to counteract decreasing profits by increasing quantities. This over-production was due to:—

1. Sudden extension of credits. "By these delusive capitals, or phantoms of capitals, speculators are enabled to put in motion vast masses of labour; when profits are reduced, the same unbounded facility of creation supplies them with still increased amounts of these credits, and thus they are enabled still further to augment their production, still further to stimulate the employment of the labouring class, until the time comes when one engagement can no longer be satisfied by contracting another more extensive, and the drama reaches its catastrophe in the form of an explosion."

2. The rapid and extensive introduction of machinery, which disturbs the proportion between supply and demand. By itself this is not alarming, but in combination with the extension of credit it plays a part in "aggravating the ultimate difficulties for the sake of temporary relief." The rapid extension and sudden contraction of employment lead to periods of great suffering for the manufacturing population."

Gladstone's mind was really struggling with the (to him) new science of political economy, in which he had not been grounded, though he knew what merchants and manufacturers were thinking about business and about commercial policy better, perhaps, than anyone in the Government.

Referring to the Corn Laws, and the optimistic hopes entertained by Free Traders of the results which would follow their repeal, Gladstone wrote: "There is every reason to fear that the relief afforded by the repeal to our operatives would be a brief one, and would be followed by the return of embarrassments in the main homogeneous with those under which we now suffer."

Gladstone passed next to the origins of commercial measures and the intention of those who introduced them. "The exigencies of one age, more especially in matters of commerce, may not be capable of being met by the expedients of another." The creators of the timber, corn and sugar duties can have had no conception of the system which would be built up on these foundations. Therefore he would urge that obsolete measures should not be retained simply because they appeared to be a part of the constitution. His defence of the new tariff was also largely based on the beneficial effects not only to trade, but also to revenue, of reductions in duties through increased consumption. A prohibitive duty is a burden on consumers; but it affords no revenue to the Exchequer.

Sir Robert Peel's tariff of 1842 had to face the following objections:—

"1. You have broken faith with the landed interest, your supporters to whom you were pledged to maintain the principles of Protection.

"2. You have swept away the protections accorded to minor and powerless interests, but you have not dared to touch those enjoyed by the lords of the soil who hold you in thraldom.

"3. You have uselessly wasted the revenue of the country by the reduction of the duty upon foreign timber from 55*s.* to 30*s.* and ultimately 25*s.*, and upon colonial timber from 10*s.* to the nominal rate of 1*s.*

"4. You have excepted from your tariff almost every article that would have made it valuable to the nation at large.

"5. By new differences of duty in favour of the Colonies, you have insured the creation of a number of new interests in favour of the protective system, which will hereafter increase the force of the parties opposed to commercial freedom, and thus be the means of postponing public improvement."

Gladstone points out that the best answer to the first objection is the second, and then proceeds to a vigorous defence of the reduction of the timber duty, which we shall consider in a later chapter.

From the special case of timber he passed to a general defence of the principles adopted in selecting those duties intended for reduction. Of the reductions upon imports "between three-fourths and four-fifths of the whole have been assigned to those raw materials upon which our industry is employed, and only somewhat more than one-fifth to articles prepared for consumption." The result of taxing raw materials, he points out, is:—

1. To restrict competition by confining business to larger capitals than would otherwise be necessary.

2. To place the pressure upon industry at a maximum, by laying it upon the very earliest stage of its process, and thus continuing it over the whole.

With regard to the fostering of new industries, the Government had seen fit to remit duties on hides and barks to encourage tanning, and on turpentine and oils. This involved an annual sacrifice of revenue to the extent of:—

Hides and skins . . .	£60,000
Bark for tanning . . .	12,000
Turpentine	80,000
Oils	40,000
Total .	£192,000

But in the year that had elapsed since the new tariff the increase of trade was as follows:—

In the case of hides . .	£100,000
,, ,, ,, oak bark . .	40,000
,, ,, ,, turpentine .	70,000
,, ,, ,, olive oil . .	200,000
Total .	£410,000

Gladstone went on to show that "when the tax is diminished upon any article of consumption imported from abroad, the demand for that article is, of course, enlarged, and the trade in it, and in what is to be exchanged for it, receives an immediate stimulus; besides this, the general means of consumers, available for other purposes, are enlarged by whatever diminution takes place in the price; and it may be presumed that the increment just realised will, sooner or later, go to create a new demand for labour. Thus one addition is made directly to employment, and another indirectly; but in the case of a remission of duty upon a raw material there is a *double* direct action upon industry: first, in the increased labour of importing the material, and of preparing the returns for it; and next, in the increased labour upon the distinct trade of working up the material into manufactured goods, and the barter therewith connected."

Gladstone's discussion of the work of Peel and Ripon* in the tariff of 1842 is not merely defensive. He claims for it no less than eleven distinct achievements:—

* Still President and nominal head of the Board of Trade.

1. They endeavoured for the first time to apply general rules and reasons to our system of import duties.

2. They established certain guiding principles for the future whereby the work which they had been unable to complete at one blow might be continued.

3. They abolished prohibitions and prohibitory duties.

4. They liberated the great mass of raw materials and accessories of manufacture from sensible charge.

5. They ensured freedom to the victualling of the commercial marine.

6. They created new facilities for the employment of shipping in the Colonial trade.

7. They substituted low for prohibitive duties on ores and metals.

8. They abolished the system whereby foreign produce was exempt from duty when carried to the United Kingdom from the ports of our Colonies.

9. They relieved the export trade from a duty—small, indeed, but enough to handicap British manufacturers meeting rivals in foreign markets.

10. They relieved from duty, or at all events from excessively high duty, the necessaries of life, such as livestock, meat and vegetables.

11. They "announced to foreign countries the resolution of Great Britain freely to expose her manufacturers to competition and to enter with good heart into an open, honourable and friendly rivalry of production with all other nations."

The reason why the question of tariffs was so pressing at the time was roughly this. During the long period of wars on the Continent of Europe which occupied the first years of the nineteenth century, the manufactures of Great Britain enjoyed a sort of natural protection due to the almost entire stagnation of industrial enterprise in the rest of Europe. After the war, we found ourselves "immediately and, as it were, organically dependent on our foreign trade; it was no

longer an accident or an appendage, but it was a main artery of the system through which in great part buoyancy or depression affected our industrial life. A very high standard of material enjoyment (*sic*) had been established among the people: from which it is in the extreme difficult and painful to recede."

Hence it had become no matter of doctrinal optimism, but one of plain utility, or rather iron necessity, "that we should more frankly enter into general competition in the markets of the world, and should consequently use every effort to cheapen production by relieving the materials of our industry, in their order of importance, from fiscal exactions, and by mitigating, with a just measure of regard to existing interests and to the virtual pledges which grow out of established laws, all partial burdens upon trade, by which the community as a whole is laid under contribution to support the particular pursuits of certain of the classes comprised within it. If we are to flourish and if we are to live, we must learn, one way or other, to compete with cheaper labour, with lighter taxes, with more fertile soils, with richer mines than our own; and if this is to be done, both the working hand and the material upon which it is to work must, as soon as practicable, be set free. Hence the reduction of duties on raw materials; and how unworthy would Sir Robert Peel have shown himself to have been the colleague of Mr. Huskisson in 1825, if in 1842 he had failed to discern the real exigencies of the country in its trading interests! Hence the reductions and the removals of prohibitions, affecting great articles of consumption, which, as we have stated, approximate more or less to the character of raw materials. Hence, also, the principle is established that foreign manufactures must be moderately taxed. First, because all our greater manufactures must be articles of export—on which, generally speaking, high duties at home would be unavailing. Secondly, because, as duties are reduced progressively in materials and in natural objects of consumption, high

duties on manufactured articles, if effective, would be contrary to justice as between one class and another; and would be premiums on sloth, waste, and bad workmanship."

From this justification of the general principles of the new tariff, Gladstone passed to a defence of particular items. Many complaints had been heard against the remission of duty on imported livestock. Prices of cattle had fallen 20 or 30 per cent., and this was ascribed by the interests affected to the new tariff. But he adduces figures to show that the fall in price was not due to a flood of imports. The number imported since the tariff came into operation he estimated at 9600 head per annum, whereas it had been admitted in the course of the debates on this subject that anything less than 30,000 or 40,000 head would have practically no effect on price. Mr. Gladstone quotes the Smithfield market report from *The Times* of December 5th, 1842:—

> "The effects of the new tariff are beginning to show themselves. Until to-day the foreign cattle imported into England have been entirely confined to the Continent; but now it will be found that the most distant shores have contributed to the market. . . . The official account, on which the duty has been paid for the week ending the 3rd inst., gives the following result: Three cows from Rotterdam; one ditto from Quebec; one ditto from Montreal; one ditto from St. Johns, New Brunswick; one bull from Calcutta, making a total of seven head. The number at market today was about five, all of which were of very bad quality, and commanded little or no attention."

Mr. Gladstone's comment is happy enough: "We are anxious to know who were the speculators of vast and comprehensive mind in Quebec, Montreal and Calcutta, who determined to take the supply of this country with butchers' meat into their own hands, and shipped accordingly—one head apiece. We venture humbly to conjecture that each of those animals was a surplus remaining from the stores of the importing vessel, and was sold, naturally enough, not so much to relieve the wants of this country, as to save the cost

of feeding while the ship was in port." On December 12th, at the great Christmas market-day, 4540 head of cattle appeared at Smithfield, but "not a single fresh head of stock was on offer from abroad; there being only a very rough Hamburg beast—received *viâ* Hull." And yet the new tariff was causing a depression in the price of stock. "Really," exclaims Mr. Gladstone, relaxing his commercial gravity, "to assign to this minute and scarcely sensible addition from abroad the deadness of the market, reminds us of the injustice of the alderman who forgot the dainty turtle and punch, with the long train that follows them, and ascribed his gout to an unhappy mutton chop which he had been incautious enough to eat."

But there is a certain political humour for us moderns when we contemplate the anxiety of a Minister in 1842–1843 to prove that his measures had not reduced the price of food. He was responsible not to a democracy but to an aristocracy which kept cattle and a shopocracy which sold meat.

Other figures are adduced to prove the beneficial effects of the tariff in the case of other commodities. The consumption of British Empire coffee fell in 1842 as compared with 1841 by 153,000 lb., with a decreasing supply. But the demand for foreign coffee showed an increase of 611,000 lb., leaving a positive excess of 458,000 lb. The wholesale price showed a fall of about 5*s*. per cwt. in British coffee and of 8*s*. per cwt. in the case of Javan coffee.

Copper ore, which was formerly smelted in bond and supplied by us to foreign manufacturers at a price £8 or £10 lower than to British, now entered for home consumption under the reduced duty. The demand was thus encouraged, and a considerable industry in copper working was already growing up. Copper had contributed during the five months' operation of the new tariff no less than £11,500 to the revenue.

Salt beef and pork entered for consumption between October 10th and December 5th contributed, he estimated,

£28,000 annually to the revenue; while the advantage to the consumer appears to have been more than proportionate.

The duty on lard had been reduced from 8*s.* to 2*s.* per cwt. The price had fallen from 62*s.* to 50*s.*, and entries for consumption were becoming considerable.

In conclusion, Gladstone turned from facts and figures to philosophy. It is the duty of England, he wrote, to look for social and economic improvement, not to Protective laws, but rather to the moral and spiritual life of her own children in these her own borders. "Her material greatness has grown out of her social and religious soundness, and out of the power and integrity of individual character: let us hope that it will not react, that it is not reacting, by corroding contaminations upon the stock from which it has sprung. It is well to talk of our geographical position; but this does not alone make a nation great in industrial pursuits. There is our mineral wealth; not so much, probably, greater than that of other lands, as earlier extracted and employed; and whence proceeded that earlier extraction and application? There is our capital, the fruit of our accumulated industry; why does this exceed the capital of other nations, but because there was more industry, and therefore more accumulation? There are our inventions; they did not fall upon us from the clouds like the ancilia of Rome; they are the index and the fruit of powerful and indefatigable thought applied to their subject matter. It is in the creature Man, such as God has made him in this island, that the moving cause of the commercial pre-eminence of the country is to be found; and his title to that pre-eminence is secure if he can in himself but be preserved, or even rescued, from degeneracy."

CHAPTER IV

THE SECOND REVISION OF THE TARIFF, 1844–1845

AFTER watching the results of his first revision of the tariff, Peel became convinced that he had found a key which would open the box of prosperity, and enable the trade and revenue of the country to expand. Gladstone, in touch with statistics at the Board of Trade, was in full accord with his chief's views; and his own opinions, guided more by experience than by theory, underwent a corresponding, or parallel, development. Public opinion was advancing at the same time, and among most business men the unpopularity of the income tax was outweighed by their recognition of the part it played in emancipating trade from restrictions and Customs duties. As Stafford Northcote, a Conservative witness, observes, three years' experience "had led both the nation and the Ministry to look with a different eye upon our system of indirect taxation. The seeming paradox, that a larger revenue might be obtained from smaller duties, had turned out to be the simple expression of an economical law, which appeared capable of more extensive application than it had yet received. Duties had been largely reduced, and even in some cases repealed; yet the revenue was as large as before and was evidently growing. Perhaps this fact did not conclusively prove that the increase of revenue was caused by the remission of the duties; but it undoubtedly afforded a fair presumption that there was some connection between them." Accordingly, in 1844 Sir Robert Peel, "the shrewdest modern observer of passing events," determined to enlarge on the experiment of 1842, and to continue the income tax for three years more, "not for the purpose of providing

supplies for the year, but distinctly for the purpose of enabling us to make this great experiment of reducing other taxes."

Peel again entrusted the revision of the tariff to Gladstone, now President of the Board of Trade, and the two statesmen were in constant communication, especially on the more difficult items, such as the reduction of the sugar duties, where the powerful West Indian interest was involved. A prohibitive duty was retained on slave-grown sugar (though slave-grown cotton was admitted free!), but no less than £1,300,000 of the surplus was assigned to a reduction of taxes on free sugar, which brought them down in the case of Colonial Muscovado sugar from 25*s.* 3*d.* to 14*s.* per cwt., and in the case of foreign free labour sugar from 35*s.* 9*d.* to 33*s.* 4*d.* per cwt. All the remaining export duties, including the duty on coal, were removed at a cost of £118,000. Another large sacrifice of revenue was made in the interests of Lancashire manufacturers by removing the import duty on raw cotton, which then yielded £680,000. The excise duty on glass was abolished at a cost of £640,000, and the Customs duties on no less than 430 articles, including silk, hemp, flax and furniture woods, which yielded altogether only £320,000 (on an average about £744 apiece) were swept from the tariff.

Morley well describes this second and greater reform of the tariff as "a towering monument of hard and strenuous labour"; and Gladstone himself set it down among the principal achievements in the history of his legislative work. In comparison with the revision of 1842, it was quantitatively more important, for the amount of remission was nearly three times as great; but in view of the national distress, and the state of the revenue in 1841, and the strong prejudice then existing against the income tax, as compared with the comparative prosperity of the country in 1844 and the acceptability of the proposals, Northcote declares emphatically, "We cannot hesitate to give the palm to the

earlier and bolder measure." In proposing his second scheme, Sir Robert Peel did not guarantee that the income tax could be discontinued after three years; but he saw good reasons for thinking that it might, as many causes were combining to increase our prosperity. Population was growing, capital was rapidly accumulating, and its application to new branches of industry and manufactures would increase the demand for labour and the consumption of articles still subject to taxation. The extension of railways, rendering travelling easier and traffic less expensive, would help to increase both production and consumption. Peel's optimism was well founded, the revenue responded to the diminution of the Customs burdens on trade; but the income tax, as we shall see, though constantly threatened with extinction, survived until now, thirty-three years after Mr. Gladstone's death, it has become a most onerous charge upon the earning power and profits of the country.

As it happened, Gladstone could not undertake the official duty of piloting the tariffs he had prepared through the House of Commons. When the session of 1845 opened, it became known that he had resigned, rather than be responsible for a grant of public money to the Roman Catholic college of Maynooth. But though no longer in office, he gave loyal and valuable support to the Government in the discussions on the new tariff which took place in the spring. He appears to have spoken "from one of the front benches half-way between the Treasury Bench and the Bar."* Hot debates arose over the reductions in the sugar duties, and Gladstone alone appeared thoroughly competent to discriminate and decide the relative values of Java, Muscovado and Havannah sugars. Equally useful to his old colleagues was his defence of the Government against the agriculturists on the question whether the words "grease, lard and resin" should "stand part of the Resolution."

About the same time Gladstone published a statistical

* See Hansard, February 5th, 1845.

survey* of the recent movements in trade and revenue. This pamphlet, which covers sixty-five pages, and ran to three editions, is in the nature of a commentary on the "Expository Statement of the Customs' Revenue" of the United Kingdom, which had been presented to Parliament at the beginning of the 1845 session. The writer aimed at bringing clearly and definitely into view the leading results which the official figures had established. "It is indeed obvious," he remarks, "that a series of tables so complex and extended afford rather the crude materials of information to the general observer than information itself." Gladstone's "official cognisance" of the changes in the law in 1842 led him to undertake the inquiry; and he "preferred making it through the medium of the Press rather than occupying so much of the time of the House of Commons . . . as would be requisite for the purpose of an oral exposition essentially involving many figures and details."

He proceeded to discuss:—

1. The proportion of our entire foreign trade which has been affected, in various degrees, by the reductions of the last three years.
2. The amount of revenue directly surrendered by them.
3. The actual results of the recent changes upon the revenue of the State and on our trade in various branches, so far as they are exhibited by the documents now before Parliament.
4. Their results upon domestic producers.
5. The policy of these measures, with especial reference to the recent proceedings of Foreign Powers in matters of trade.

Parliament, he remarked, had now sealed the doom of the very last of our duties on exports. In his opinion, the value of the recent measures should be tested by the exports which would be brought into being to pay for the increased imports.

* Entitled "Remarks upon Recent Commercial Legislation, suggested by the Expository Statement of the Revenue, from Customs, and other Papers, lately submitted to Parliament by the Right Hon. W. E. Gladstone, M.P. for Newark," London, Murray, 1845.

"Though we cannot in every particular case assume an immediate trade outwards when we create a trade inwards, yet it is manifest that upon the whole such is the law which must govern our commercial transactions." Of the 135 principal imports of the country, the duties on 106 had been removed or altered, while on twenty-nine they remained unchanged.* During the years 1842-1845 seven-eighths by value of our whole import trade was affected in various degrees by reductions of duty. On the other hand, "if we divide our imports according to the revenue they yield, the major part have remained untouched," though these revenue-producing articles, measured by their commercial importance, were "but a small fraction of the whole."

Again, the reduction of prohibitory duties, besides producing new revenue, might well give a stimulus to domestic trade. At the same time, he added, where duties had been reduced, the sacrifices of the Exchequer were often diminished through increased importation and consumption.

Gladstone explained that Sir Robert Peel's intention had been "to reimburse the Exchequer for the remissions which he proposed—first, by their general effect on trade and consumption, and secondly, by augmenting the demand for the particular articles which were affected." All recovery of this kind was of necessity gradual, especially as a period of extreme trade depression had intervened between July 1842 and July 1843.

"Before the Act of 1842 the general character of our tariff with regard to manufactures, and in a great degree with regard to food, was prohibitory. But it may be said with truth that from the moment when the provisions of that Act had taken effect, moderate duties of 20 per cent. and less were the rule of the tariff of the United Kingdom, and high or prohibitory rates the exception." In the second year, Gladstone showed, the remissions of duty on manufactured

* In 1843, the value of the articles unaffected by the measures of relief was only 8½ millions sterling.

goods were as nearly as possible replaced by the increased imports of them. On food an actual increase in revenue took place in the two years after the Act, though, he adds, "These figures may be much more justly taken as an index of the general prosperity of the country than of the working of the Customs Act of 1842."

Having examined the figures of the Expository Statement in detail, Gladstone passed to a general consideration of the Act of 1842, and of its effect on our import trade. He claimed that the Tariff Law of 1842 was not merely an Act involving a considerable remission of duties: it was the first attempt to apply general rules to the construction of the tariff of the United Kingdom, and was also the most comprehensive modification of the restrictive system that had ever been accomplished.

Mr. Pitt, in 1787, found our Customs law a mass of intricacy and confusion. He stated to Parliament that "the mode in which he proposed to remedy this great abuse was by abolishing all the duties which now subsisted in this confused and complex manner, and to substitute in their stead one single duty on each article, amounting as nearly as possible to the aggregate of all the various subsidies already paid."

During the French War many duties were added. Afterwards in 1819 the tariff was revised. In 1832 and 1833, under Grey, many minor duties were removed. Wallace and Huskisson were responsible for relaxing the prohibitory and protective system; but no general principle underlay their changes. The Act of 1842 aimed at the removal of prohibitions; the reduction of duties on manufactured articles and of protective duties generally to 20 per cent. *ad valorem*; and also a reduction of duties on partially manufactured goods to 10 per cent., and on raw materials to 5 per cent Altogether, by this Act, the duties on 660 articles were reduced, with great gain to the consumer and to trade in general, and often with benefit to the revenue.

It was too early to form any general estimate of the effect of the 1842 measure on the country; but the net increase of imports (excluding cotton and corn) in 1843 over 1841 was £2,571,081.

Gladstone next went on to examine specific cases. The timber duties, with which he first dealt, may be reserved for a separate chapter. As regards coffee, the duty on British Empire coffee was reduced from 6*d.* to 4*d.* per lb., and on foreign from a rate nominally of 15*d.* (really about 9*d.*) to 8*d.* The first year's revenue receipts showed a loss of £21,594 on previous years. A further reduction on foreign coffee from 6*d.* to 4*d.* per lb. followed in 1844. The revenue from coffee in 1843 was £697,983, and in 1844 it was £682,218, showing a loss of only £15,765. "But the Chancellor of the Exchequer, in his financial statement for 1844, had estimated his loss at £50,000; and the immediate remission of 2*d.* per lb. on 9,854,000 lb. (the quantity of foreign coffee consumed in 1843) amounted to £82,200." Consequently it was undeniable that these reductions in the coffee duties were successful from the standpoint of revenue, and beneficial to consumers as shown by the expanding demand.

Turning then to other important articles, Gladstone proceeded to show the actual loss of revenue on each, and the value added to trade.

	Loss of Revenue.	*Value Added.*
	£	£
Hides	36,971	453,706
Turpentine	79,819	53,510
Palm Oil	8,423	123,774
Olive Oil	21,957	97,860
Bark	8,891	94,210
Mahogany	41,148	720
Rosewood	7,264	11,980
Total	£204,473	£835,760

Even more startling were the results in the case of sperm oil, train oil and whale fins, on which the duties had been very high. Reductions were as follows:—

On sperm oil, from £26 12*s.* to £15.
On train oil, from £26 15*s.* to £6.
On whale fins, from £4 15*s.* to about £1.

On these the increase of revenue after the reduction amounted to nearly £50,000 for one year.

Copper ore, which yielded no revenue under former laws, produced about £47,000 in the first year after the Act of 1842, and nearly £70,000 in the second, with no contraction, but, on the contrary, with an expansion of the smelting operations of the country. Again, lard, at a duty of 8*s.* per cwt., yielded in 1840 the sum of £30. In the first year of the new law, at 2*s.* per cwt., the entries of lard yielded £4946, and in the second year £7980.

In the year 1840 thrown silk yielded a revenue of only £725, the chief part of the importation paying a duty of 3*s.* 6*d.* per lb. A drawback was allowed which absorbed nearly the whole receipt—and, indeed, in 1838 there was an excess of repayment over revenue to the extent of £5398. In the first year of the new law the debentures due under the old one again absorbed the whole revenue; but in the second year the balance of net receipts amounted to £16,420. Gladstone gave "two instances, in which duties were reduced for the purpose of driving the smuggler, if possible, out of the market. Under the former law, watches were charged at 25 per cent. *ad valorem*; the value entered in 1840 was £5084, and the duty paid was £1387. In 1842 the duty was reduced to 10 per cent.; the value entered rose to £52,622 and the duty paid to £5391." Again, "the duty on thread lace was reduced in 1842 from 30 per cent. to 12½ per cent. on the value, with the active concurrence (a rare example) of the parties engaged in carrying on the trade at home. The entry under the head 'Thread Lace' in the 'Statement' shows an increase only of about one-fourth in the quantities entered under the new law; but another heading had been introduced for all lace made by hand, including thread lace, under which a large and apparently increasing quantity has been entered;

so that in this instance also we may hope that the province of the smuggler has at least been greatly narrowed."

In the case of "articles of consumption," such as gloves, boots and shoes, corks, toys, tanned leather, fish, lard, potatoes, etc., the revenue surrendered under the reductions of duty was more than recovered owing to increased imports.

What of the results of the legislation on domestic producers? As a general rule, he says, "British industry has much less to apprehend than was commonly, perhaps almost universally, supposed, from the effects of foreign competition in the domestic market." All those affected by the Act had been surprised by the results. In some cases, *e.g.* the Irish provision trade, sharp and stringent effects on prices had been produced. "But these were the exceptions." Often, where alarm had been greatest, prices had remained unaltered. "There is a most just pleasure," he says, "attaching to the discovery that the power of British skill and labour is greater than we had believed it to be."

In general, increases in agricultural or manufactured imports were confined within very moderate bounds. Gladstone gave instances from potatoes, onions, etc. In some cases anomalies had existed where the duties were higher on the raw materials from which articles were made than on the manufactured articles themselves. These differences had been remedied. In other cases the change of duty resulted in speculation, and the importation of the commodity immediately rose. Here there was usually a material decrease in imports in the second year, showing that expectations were not fulfilled. The most remarkable instance of this was in the case of importation of live animals for food. "Nor was it an uncommon thing in the streets of London to see advertisements of goods purporting to be cheapened by the new tariff, with regard to which no change either was made or had ever been proposed!"

Some people had argued that foreign prices had acted powerfully in reducing British prices to their own level,

though, when this level was reached, there would be no further great increase of imports. Mr. Gladstone says, "It is impossible that foreign prices could have exercised a depressing influence on the immense market of England to any considerable extent, without having held out such opportunities of profit by actual importations from abroad as must have led to much more extensive operations than those which have actually taken place." Secondly, he points out that reductions in price would be much more likely to be caused by a subtraction from demand than by an addition to supply—*i.e.* by commercial distress rather than by the new tariff. "When quality is considered, the Englishman often gets the cheapest article," notwithstanding the low prices sometimes ruling abroad.

Various illustrations are given of the false fears of some people about the effect of reduced prices on our manufactures. For example, British manufacturers of cordage and cable-yarn had protested that "our export trade in cordage must pass bodily into the hands of Russia." Gladstone had been much impressed by these prophecies, but he was even more struck by the way in which they had been falsified by the actual results. The case of corks had been adduced to prove that the Government, while they "dealt gently with great interests," had dealt "most severely with small ones." The price of wine corks was reduced from 8*s.* to under 6*s.* 6*d.* per lb.; but the bulk of the trade remained in British hands.

It was fair to conclude that in some cases foreign competition had stimulated improvements in British industry, enabling us to "repel or endure" competition, while in others British industry had proved "able to meet the industry of foreign countries upon a footing of less inequality than we have been apt to suppose." The results of the Act of 1842 "vindicate the policy of a gradual and circumspect relaxation of restrictions, as being the best means of enabling the skill and labour of England to find their full value in the market

of the world." Again, he says: "The foundations of the commercial power of this country are, up to this moment, at least in a commercial sense, unimpaired"; but he advocates only a gradual policy on the same lines, and not an adoption of any change except for some good and adequate reason.

In 1845 there was an alteration of policy compared with 1842 through the total abolition of the heavy duties on cotton and glass and of a multitude of small ones, instead of a "reduction, which might aim simultaneously at relieving trade and at giving scope, through increased consumption, for the final recovery of the revenue surrendered."

Gladstone then passes on to consider the commercial legislation of foreign countries, in order to vindicate the total abolition of duties on articles made by British labour. "We are more dependent," he says, "than any other great people upon external trade for the employment of our population. Nor is it the fact that, as many suppose, this external trade is leaving the channels of our intercourse with Europe in order to fill those of distant, and especially of Colonial, markets." Statistics for the last thirteen years showed that our trade with Europe had increased about twice as fast as our trade with the whole world, and about three times as fast as our trade with the rest of the world. The years during which this great increase in foreign trade had been going on were distinguished "first, by many relaxations in the commercial code of England and increased facilities for the importation of foreign commodities; and secondly, by efforts on the part of almost every European Power either to erect or to tighten a restrictive and prohibitory system."

The Customs' Union of Northern Germany was constituted in the early part of the period—"a wise and noble scheme," if considered from the point of view of internal commercial intercourse and sentiments of nationality; but "a measure of jealousy and rigour," if considered with respect to foreign trade. Since 1841, Russia, Prussia, France and Spain had "given increased stringency" to their commercial systems,

and the smaller Powers, with a few exceptions, had followed their example. Austria, on the other hand, had effected some small relaxations. Gladstone also refers to the tariffs erected by Brazil (1844) and the United States (1842), the latter being distinctly protective in nature, though its main object was supposed to be to increase the revenue. "Most of the countries to which I have adverted," he says, "appear to be possessed by a sentiment that they have found the philosopher's stone in a prohibitory system." They held that England had grown rich by restriction, and only wished to grow richer by casting it away. Their policy therefore was due to a desire to copy England's example, rather than to hostility to England herself. Though our own legislature in former times had regarded Protection as "a temporary stimulus to enterprise while yet in its infancy," rather than as a permanent and essential good, foreign nations were inclined to regard it in the latter light.

In spite of the policies adopted by foreign states, "the power of capital, skill, industry, long-established character and connections sustaining English commerce, bears up against all that had been done," and England's trade had continued to increase. But, at the same time, though the foreign countries themselves had suffered most as a result of their commercial restrictions, England had also been a loser, and their policy demanded from us "a vigorous and steady counteraction." It was futile to expect an immediate breaking down of the lofty barriers which had been so carefully erected, and a policy of retaliation for us "would be suicidal." It was also impracticable for us to break down at once all our remaining restraints and protective duties. The one course which remained was "to use every effort to disburden of all charges, so far as our law is concerned, the materials of industry, and thus to enable the workman to approach his work at home on better terms, as the terms on which he enters foreign markets are altered for the worse against him." If this aim were steadily pursued, England's share of world

trade would not be diminished, though there might be a diminution in the aggregate trade of the world. It was imperative to bring other nations to see that they themselves were the chief sufferers from their policy. "A few more years of experimental instruction," says Gladstone, "should exercise a powerful influence on the intelligence and the will of Governments and of the nations whom they rule."

We shall see in succeeding chapters how abundantly the policy which Gladstone is here explaining and defending was justified in subsequent years, when the trade and revenue, the imports and exports, the manufactures and shipping of Great Britain advanced by leaps and bounds.

CHAPTER V

RAILWAYS AND COMPANIES

APART from the predominant fiscal issue, Morley tells us very little about Gladstone's manifold activities at the Board of Trade, though he was busily engaged all the time with new problems of such supreme importance to the community as the regulation of railways, telegraphs and companies, all of which were then in their infancy. But what little we do learn is very interesting. The first Telegraph Act was passed during his Presidency of the Board of Trade. "I was well aware," he wrote, "of the advantage of taking them into the hands of the Government, but I was engaged in a plan which contemplated the ultimate acquisition of the railways by the public, and which was much opposed by the railway companies, so that to have attempted taking the telegraphs would have been hopeless. The Bill was passed, but the executive machinery two years afterwards broke down."

Of Gladstone's railway policy, Morley remarks that, like other questions outside the contentions of party, it cuts a meagre figure on the page of the historian, and (he might have added) of the biographer. But it is hardly fair or correct to state, as he does, that the railway policy of this decade "was settled without much careful deliberation or foresight." Indeed, his own paragraph on the subject goes against this contention, so far at least as Gladstone is concerned:—

> "Questions that do not fall within the contentions of party usually cut a meagre figure on the page of the historian, and the railway policy of this decade is one of those questions. It was settled without much careful deliberation or foresight, and may be said in the main to have shaped itself. At the time when Mr. Gladstone presided over the

> department of trade, an immense extension of the railway system was seen to be certain, and we may now smile at what then seemed the striking novelty of such a prospect. Mr. Gladstone proposed a Select Committee on the subject, guided its deliberations, drew up its reports, and framed the Bill that was founded upon them. He dwelt upon the favour now beginning to be shown to the new roads by the owners of land through which they were to pass, so different from the stubborn resistance that had for long been offered; upon the cheapened cost of construction; upon the growing disposition to employ redundant capital in making railways, instead of running the risks that had made foreign investment so disastrous. It was not long, indeed, before this very disposition led to a mania that was even more widely disastrous than any foreign investment had been since the days of the South Sea Bubble. Meanwhile, Mr. Gladstone's Railway Act of 1844, besides a number of working regulations for the day, laid down two principles of the widest range: reserving to the State the full right of intervention in the concerns of the railway companies, and giving to the State the option to purchase a line at the end of a certain term at twenty-five years' purchase of the divisible profits."

Here at least we have evidence of Gladstone's foresight, and it is only right that more should be known of the laborious and well-directed energy which he devoted to the regulation of the hitherto chaotic and feverish growth of railway companies. Fortunately Mr. Francis Hyde has made a special study of the subject, which will, I hope, soon be published. In 1841, some two thousand miles of railways had already been constructed in England by numerous companies. These companies had obtained powers from Parliament, and it was too late to start a completely new system. But a Committee, with Gladstone as Chairman, sat during most of the 1841 session. Its report was against the State ownership of existing railways, but recommended that future developments should be supervised by the Government. Two Railway Bills were carried by Gladstone in 1842 and 1844, providing for supervision and inspection by the Board of

Trade, in the interests both of shareholders and of the security of the travelling public. The mushroom growth of new railway companies was associated with wild speculation in scrip and shares. To check this evil, Gladstone introduced the Joint Stock Companies Regulation Act of 1844, which was followed by a series of Companies Acts and led to the eventual adoption of the limited liability principle. In the Railway Act of 1844, he introduced, as we have seen, option of purchase by the Government, and his clauses were afterwards adopted with satisfactory results by the Government of British India in their railway legislation. He also introduced cheap fares, and Mr. Hyde's survey of Gladstone's railway and company measures shows that they form together a fine piece of constructive work, based on a thorough examination of many difficult problems then pressing for solution.

Gladstone's first Bill for the better regulation of railways was introduced in February 1842, and his speeches show that he had already mastered the details of a highly complicated subject. One clause provided for the more effectual inspection of railroads by surveying officers previous to their opening. Another enlarged the powers of the Board of Trade in regard to accidents, and railway directors were henceforth to make a return of all accidents great or small. In future, gates at level crossings were to be across the roads instead of across the railways. This change of practice was dictated by experience. Experience had also proved that in many cases railway cuttings were too steep and embankments too narrow for security; and the Bill consequently empowered the companies to take land enough to widen their embankments and diminish the slopes sufficiently to make them secure. Prejudices against railways were still strong. There were still old-fashioned Tories in the House like Colonel Sibthorp, who in these debates described himself as "conscientiously opposed to the introduction of all railroads." He himself had never travelled in a railway carriage, but his

general opposition to the Bill was qualified and mollified by Gladstone's concern for the public safety.

In his speech on the Second Reading of his second Railway Bill in July 1844 Gladstone looked forward to the possibility, if not the desirability, of nationalising the lines by State purchase at some future date. Under the then existing system of a large number of independent lines it was very difficult, if not impossible, to facilitate and cheapen railway communication; for "if nine out of ten companies were in favour of the experiment of cheap communication it would probably be in the power of the tenth to baffle the effort." On the Continent—in Belgium, for instance—there were State railways, which were cheaper than—he did not say they were so good as—ours.

On the whole the Government had agreed to provide in this Bill for a time when the railways might be purchased by the State; but the time for this purchase had not come, and they preferred, therefore, to leave it to the future discretion of Parliament. The Bill was opposed by the railway interests, and there were attempts to delay it; but the President of the Board of Trade was obdurate and his firmness was justified. Some members argued that the companies had not been well treated, but the fact that it was unwelcome to the directors and favourable to the public commended it not only to Colonel Sibthorp, but to the majority of the House of Commons, and the Bill was eventually carried by 186 to 98 votes.

Meanwhile a Select Committee on Railways had reported, and in accordance with its recommendations Gladstone carried some useful changes in the constitution of the private Bill Committees which authorised new railway companies and gave new powers to old ones.

Throughout his life Gladstone took immense interest in the improvement of communications both for travellers and for goods. He was in later years an enthusiast for the Channel Tunnel, and could never understand the strength of the opposition to it. When Prime Minister, towards the end of

his second Administration, he witnessed the cutting of the first sod of the Mersey Tunnel, which improved the connection between North Wales and Liverpool. A great crowd assembled on the occasion, and he addressed it in an interesting speech. Liverpool was now seven or eight times as large as the town with "a little grey smoke curling above it in a grey sky" which he remembered when a boy. Its geographical position was peculiar; it had excellent railways, but they had to make long circuits. He thought of it as a market in connection with Hawarden and North Wales. North Wales was near to Liverpool, but its commodities had a long journey to make before they could get to that market. "I recollect very well," he said, "that even since the opening of the railway, when we used to go from Hawarden to Liverpool, we had to go in six carriages of one kind or another before we covered those eighteen miles." Now that the Mersey Tunnel had been commenced, he hoped to live to make the journey in one carriage. The saving of twenty miles was a vital matter for such commodities as coal, stone or slate. Then there was milk. "I find it is computed that Liverpool consumes but one pint of milk per week per head of the population." Yet good and abundant supplies of milk were of great importance to health, and better transport facilities would help to enlarge and cheapen the milk supplies of Liverpool.

Two years previously Mr. Gladstone had visited the experimental works for the Channel Tunnel between Folkestone and Dover. He was not at first convinced, but on June 27th, 1888, when Sir Edward Watkin moved the Second Reading of the Channel Tunnel Bill, he spoke in its support. Military opinion was against it, but military opinion had often been mistaken, and Parliament ought not to yield to invasion panics. The opinion of the nation was never against the scheme. "A factitious opinion, which is sometimes assumed to be national opinion, was too strong against it at one period; it was too strong for me [he opposed the plan in 1884], and it even now exists, but weakened and brought

within moderate bounds; and there is now some chance for common sense and the exercise of that spirit of enterprise which has been at all times among the noblest characteristics of our country."

In spite of Mr. Gladstone's support, the Channel Tunnel Bill was rejected by 307 votes to 165, and subsequent efforts to induce its acceptance by Parliament have been unsuccessful.

What Mr. Gladstone would have thought of the modern developments of motor-cars and flying machines must be left to the imagination. But it is certain that, had he been in youthful vigour in a strong government like that of Sir Robert Peel, when these new modes of rapid transit were being introduced, he would have provided securities not only for the safety of the general public, but also against the enormous waste of taxpayers' and ratepayers' money and the costly diversion of heavy goods traffic from railways which our recent governments have so conspicuously failed to give us. The lack of a really great and powerful mind like Mr. Gladstone's, with a penetrating insight into the complex and closely related problems of commerce and transit and finance, has never been so much needed or so deplorably absent as in the last twenty years.

CHAPTER VI

FISCAL CONTROVERSY AND THE REPEAL OF THE CORN LAWS

IN the Queen's Speech which opened the Parliamentary session for 1843, Her Majesty regretted "the diminished receipts from some of the ordinary sources of revenue," and feared "that it must be in part attributed to the reduced consumption of many articles, caused by that depression of the manufacturing industry of the country which has so long prevailed, and which Her Majesty has so long and deeply lamented."

On February 13th Viscount Howick asked for these paragraphs to be read aloud by the clerk at the table, and then rose to move that the House should resolve itself into a committee of the whole House to take them into consideration. The speech was an able one. He first proved that the distress prevailed in agricultural as well as in manufacturing districts, in the coast as well as the inland towns. Shoals of beggars everywhere infested the roads; not traditional mendicants, but whole families or groups of families, half-naked, at the point of starvation, begging their way hopelessly and helplessly from place to place. Howick then sought for the true cause. It was not over-taxation—in that respect England was better off than other countries—nor over-production, over-speculation or the too sudden introduction of machinery. These, on Sir Robert Peel's showing, could produce only local and temporary distress. Nor could the new Poor Law be blamed; for the distress was as severe in Scotland, where the Poor Laws had not been altered. No, the true cause was to be found in the barriers and restrictions on trade, "and

especially upon that article which forms the staple food of the people." Relax these restrictions; in would rush a flood of imported goods, and "such an increase would at once set in motion to the same extent the industry of the country."

At this point expressions of dissent came from the Ministerial benches. But Howick met the objectors by a quotation from Gladstone, who had shown only a year before in a debate on the Foreign Cattle Bill, "with great ability and with triumphant superiority of argument, against his own friends—if indeed they are still his friends who sit behind him"—the advantage of encouraging imports. The passage cited by Lord Howick ran as follows:—

> "Suppose that 50,000 head of cattle were to be annually imported, such importation would produce but a small effect upon the prices of meat, but it would create an import trade to the amount of half a million of money—a trade which in its nature would tend by a smooth, and under ordinary circumstances a certain, though a gradual, course of operation to produce an export trade in return of an equal amount; which would contribute—he did not say in a moment, but in the course of years—to an increased demand for employment and labour."

Howick appealed to Gladstone to say whether, if his argument held good with respect to foreign cattle, it must not equally hold good with respect to foreign coffee, foreign sugar and foreign corn. If the importation of cattle to the value of half a million would create a corresponding export trade, would not five or ten times that amount of importation of other articles create a corresponding increase in the employment of industry and capital at home?

To this argument, theoretically unanswerable, the Minister made an effective debating reply. He had no difficulty in showing the differences that existed in the ranks of the Opposition on the subject of Corn Law Repeal; how Villiers and Cobden voted for a fixed duty, but could not persuade the Whigs to follow them into the lobby in favour of total

repeal. It was equally easy to discredit Howick's attack upon the income tax. Gladstone did not deny the existence of distress, or seek to minimise either its severity or its prevalence. But a vague motion for a committee upon distress was futile and ridiculous. Nor did he shirk the triumphant rhetorical question, "Why do you not apply the same principle to corn which you apply to other commodities?" but bravely gave the best if not the only answer available for a colleague of Peel.

> "The answer . . . is the simple fact that the corn trade in this country has been dealt with, not merely for a series of years, but for a series of centuries, in a different manner from the trade in any other article. Hon. gentlemen may quarrel with my allegation, and I admit that I do not think that the mere existence of a law or a practice for a length of time is a sufficient reason for its being perpetuated; but if objections be made, and even if their validity were acknowledged, even that would not, in my mind, justify immediate and violent changes. . . . The noble lord was pleased to quote a passage from a speech of mine last year in which I made a reference to the possible importation of 50,000 head of cattle. I am willing to make every concession to the noble lord, and to allow to him without grudging all the advantage that he may be able to extract from that observation of mine. On the occasion adverted to by the noble lord, I ventured to say that the increase of our imports by the admission of foreign cattle would produce, either by direct or indirect means, and not at once, but in the course of time, a corresponding extension of our exports. I do not shrink from the avowal of this proposition; but still I think that, according to the particular circumstances of each case, the adoption of the principle must be watched and guarded, and carefully adjusted by a careful consideration of those circumstances. . . . The noble lord quoted the opinion of Mr. Burke, with respect to the abstract question of Protection; and I recollect that that eminent statesman, in another speech, gave quite as strong an opinion to the effect that every statesman must endeavour to combine his regard to general principles with a careful estimate of the actual circumstances by which

> they are limited in their application. Mr. Burke said that the statesman who refused to take circumstances into his view and consideration is not merely in error, he is mad—stark mad—metaphysically mad."

Gladstone then proceeded to analyse with great skill the probable results of a repeal of the Corn Laws; and expressed his opinion that a sudden change to Free Trade might result in a displacement of agricultural labourers. Agriculture must not be sacrificed to abstract arguments in the storehouses of political economy; for it was "an employment which maintains millions of the population, and an employment which cannot be replaced by any sufficient substitute, if a sudden change of the description proposed were to be made."

An extraordinary speech indeed, marked throughout by honesty, sincerity and a subtlety befitting the complexities of the subject matter. It made a great impression, and its reference to the "temporary" nature of the Corn Laws was brought up time after time by the Whig speakers. One member said that the Vice-President of the Board of Trade "had brought forward opinions and facts which would do more for Free Trade than any other speech he had heard"; another, P. M. Stewart, rather cleverly upset out of Gladstone's own mouth one of his lesser arguments against the repeal of the Corn Laws, viz. the hostility of Continental tariffs:—

> "Whether the right hon. gentleman had seen an article which had appeared in the *Foreign and Colonial Review* on the commercial policy of this country he knew not; but it was in many respects so like the speech delivered by the right hon. gentleman the other evening, that he could not help recommending him to peruse it. It contained a paragraph relating to hostile tariffs, which he would read to the House."*

Since, added the Whig member, there was no apprehension in the mind of the writer when he wrote this, there ought, by

* Hansard, February 16th, 1843.

the closest possible analogy, to be no fears in the mind of the right honourable gentleman now.

At the beginning of the Session of 1843, in an entry for January 16th, Greville notices in his Diary the subjects "which now nearly monopolise" public attention. These are—the condition of the people, moral and physical, the Education question and the Tractarian controversy. But "first and foremost there is the Corn Law and the League; the Corn Law which Charles Villiers (I must do him the justice to say) long ago predicted to me would supersede every other topic of interest, and so it undoubtedly has." No one any longer disputed the growing strength of the Anti-Corn Law League. A great increase in its activity had taken place in the preceding autumn; and the landed interest, now thoroughly alarmed, began to fear betrayal. A clever protectionist pamphlet published at this time warns the Tory Party against the "new men" in English politics—their characteristic marks are commercial descent, University education and a blind belief in the visionary doctrines of political economy; their names are Peel and Gladstone. Then the writer pays a tribute to the pamphlets of the Anti-Corn Law League. He is "not at all surprised at the effect which they have produced on popular opinion," and adds: "If we had a dozen men in the House of Commons, devoted to what we hold to be the true interests of the country, as active as the directors of the League movement, as determined to go straight onward to their object, Sir R. Peel would be forced to recant in the ensuing session all that he said concerning Free Trade in the last session; or, on the other hand, he would be compelled to place himself at the head of the movement party, and with Mr. Gladstone and such colleagues as he would get from that party, try to carry into execution the Free Trade policy with decision, promptitude and completeness."*

* "Reflections on the Designs and Possible Consequences of the Proceedings of the Anti-Corn Law League." London, 1843, pp. 1–2. Peel's posi-

Hitherto the force behind Bright and Cobden, a force generated and developed in the great manufacturing districts of the North, by men who knew their minds "and knowing dared maintain," could not command a majority even of the Whig Party in the House of Commons. But Cobden's continuous fire of logic was playing with more and more effect upon the Ministerial benches. In the famous and much-misrepresented speech of February 17th, 1843, which charged Peel with personal responsibility for the Corn Law and the sugar duties, Cobden took the leading members of the Ministry one by one. The order is remarkable, for Gladstone had not yet secured a place in the Cabinet:—

> "The colleagues of the right hon. baronet [Peel] who have spoken on this occasion have introduced the Corn Laws into this debate, and have discussed that subject in connection with the present distress. But what says the right hon. member the Vice-President of the Board of Trade? Why, he says there are not two opinions on the subject of Free Trade. What says the right hon. baronet at the head of the Government? Why, he says that on this point we are all agreed. And the right hon. baronet the Secretary of the Home Department [Sir J. Graham] says that the principles of Free Trade are the principles of common sense."

Cobden claimed other members of the Cabinet as Free Traders in the abstract. Indeed, a mild intellectual conviction that Free Trade, if not immediately expedient, was theoretically correct, and also in the long run certain to come about, had stolen over the minds of statesmen in both political

tion, indeed, was manifestly untenable. Corn Law repeal was not merely the logical concomitant of tariff reform: it was also the great measure upon which the Free Traders were expending all their energies. Considering the cleverness of the managers of the League, this Protectionist writer was astonished, not at the effect produced, but "at seeing that effect limited in so great a degree to the manufacturers who resort to the Manchester, Leeds and Huddersfield markets." It is no doubt true, as he goes on to say, "that the influence centring in these three towns comprised four-fifths of the whole moral force of the League." London, as usual, was divided, impotent and useless, though the great Covent Garden meetings were beginning to influence pressmen and politicians.

parties so early as 1836, if one may judge from the debates which preceded the passing of the Tithe Commutation Act in that year. Sir Henry Parnell's excellent treatise on "Financial Reform" anticipated Peel's combination of public economy with drastic revision of the tariff. But a decade of national starvation and agitation was needed to make the syllogism practical and the conclusion complete. It was his experience at the Board of Trade rather than the logic of political economy that converted Mr. Gladstone. "Even when the Corn Laws were about to be repealed, he did not, I think," wrote the late Lord Farrer to the present author, "take the broad views of Cobden and the Free Traders. I remember meeting him at a small dinner-party at Northcote's, and was much struck by the apparent frankness and freedom of his talk. But he did not insist on the expediency of giving people cheap bread or of opening the foreign markets to our manufactures, so much as on the great evils in the form of speculation and disastrous ups and downs of prices caused by the sliding scale."

Gladstone became President of the Board of Trade, with a seat in the Cabinet, on June 10th, 1843, and was soon able to carry another important measure of commercial reform.

One of the objects of the Protective system was not merely to prevent other countries from selling their goods in our market, but also to hamper them in neutral markets. On this principle there had been an export duty on British coal, and the export of British machinery was still prohibited, although a certain administrative discretion was left to the Board of Trade. The ancient notion that machine-making was a secret which could be kept within certain geographical limits had long been abandoned by practical men; but the law still rested for its utility on the grounds stated in the preamble to the Act of 1696, that "whereas a very useful and profitable invention, craft or mystery existed in this country for the making of silk stockings and other articles," etc., etc. On August 10th, 1843, Gladstone moved the second reading

of a Bill to legalise the exportation of machinery. It was impossible, as he pointed out, to prevent machines being manufactured abroad, "and the only question now was whether we should inflict a small additional charge upon the prosecution of foreign manufacturing enterprise which the prohibition of our machinery seemed to enable us to do." But why machines only? If we wanted to handicap our competitors, why not prohibit the exportation of cheap iron, cheap coal and other things which are made use of by foreigners for the purpose of rivalling English manufactures? Hindley, a Lancashire member, and a manufacturer of yarns, who sought to move an amendment, was warned that the principle of prohibition, if retained, "ought to be made to apply to the exportation of yarns and twist; for the possession of these yarns enabled the foreign manufacturer to rival us in our finer fabrics." Until 1824 British law had prohibited the emigration of artisans, and Gladstone "thought that the arguments by which that prohibition was supported were quite as strong as those which were now alleged in support of the prohibition of the exportation of machinery." He had arguments for every type of mind. Suppose the prohibition to be in itself desirable, there was no remedy against smuggling. "The enforcing of Customs prohibitions outwards is very different from enforcing prohibitions inwards;" for a prohibited article once imported is always liable to seizure. Besides, the idea of a tax on exports was abhorrent to the country. "It was the opinion of practical Custom-House officers—and had been since 1824—that this was a law incapable of execution." Moreover, he strongly protested against the power to relax a law being vested in the Privy Council. "One object of all laws should be to limit as far as possible all such discretionary power on the part of the Executive." It is characteristic of a Conservative Reformer that he should have found this constitutional ground for abolishing an old-fashioned trade law. He quoted the authority of Huskisson, a memorial from the machine-makers

of Leeds, an interview with an Italian gentleman and a deputation which had come to him at the Board of Trade. But the grand point on which he insisted was this: "It was no longer a question as to whether foreigners should have machinery of their own; but the question was whether this country should not have the machine-making of the whole world." They need not be timid. British manufacturers would have a natural monopoly owing to freedom from cost of carriage and first access to new inventions and improvements.

Sir Robert Giffen, in one of his financial essays, drew attention to this speech, which he justly regarded as an important landmark in the history of Free Trade. Its reasoning seems to have convinced both parties; for the second reading was carried by a majority of 78 in a House of 114.

Parliament opened again on February 1st, 1844. Early in March Cobden brought forward an important motion for a Select Committee to inquire into the effects of Protective duties upon the interests of tenant farmers and farm labourers. The miserable state of the agricultural poor could be proved by statistics and illustrated by heartrending quotations. In Gloucestershire the peasant was worse off than in 1683. Since 1790 wages had scarcely increased; wages computed in food had certainly declined; and rents had risen from 200 to 250 per cent. From Austin's inquiry and report the results of this last catastrophe were made evident. The demoralisation and licentiousness of the rural districts were easily explained when in one village there were found to be on an average thirty-six persons in each cottage, when a large family occupied a single room, and when a clergyman who had been asked to dispose of some blankets for charity discovered on making inquiries that "in fifteen families of his parish, consisting of eighty-four individuals, there were only thirty-three beds and thirty-five blankets," twenty-five of which were "mere patched rags." And yet the Corn Laws still remained, an artificial aggravation of all this squalor and misery!

To Gladstone was left the uncongenial task of replying. He could only show that such a committee would have too vague a reference, that it would alarm the agricultural interests, and that it would be involved in abstract questions of political economy. "It must be a bad case indeed," said Bright, later in the evening, "when the right hon. gentleman cannot make a better speech in defence of it."

Goulburn produced the Budget on April 29th. But Gladstone did not speak until the House went into Committee on the Customs duties. Trade was improving, and Goulburn took advantage of a large surplus and enhanced public credit to pay off the deficit of the previous year, to effect a useful conversion of debt, and to remit or reduce the duties on several articles, such as currants, coffee, wool and sugar.*

In the autumn of 1845 events were to take place which would at once restore Gladstone to office and eject him from Parliament. For three years Peel had been a Free Trader; he was no longer prepared to resist the extension of Free Trade to corn. The failure of the potato crop in Ireland hastened his determination. On October 31st and November 1st the question was discussed in Cabinet Council. On November 6th Peel proposed to call Parliament and announce a *modification* of the Corn Laws. This proposal was supported by only three of his colleagues—Graham, Aberdeen and Sidney Herbert. But worse reports of the condition of the country came in, and on November 22nd Lord John Russell published his famous Edinburgh letter, in which he completely endorsed the policy of Cobden and urged his constituents—the electors of the City of London—to agitate for repeal: "The Government appear to be waiting for some excuse to give up the present Corn Laws. Let the people, by petition, by address, by remonstrance, afford them the excuse they seek."

* The passing of the Bank Charter Act was by far the most important financial feature of the year 1844.

This letter had a remarkable effect, and Peel contrived to win over the whole Cabinet except Stanley and the Duke of Buccleuch. After some little hesitation, however, he resigned, on December 5th. The Queen sent for Lord John Russell, but the latter failed to form a Cabinet. On the 20th, Peel agreed to resume office. Buccleuch reconsidered his objections, and Gladstone rejoined the Government as Secretary of State for the Colonies, taking the post of Stanley, who retired.

He could hardly have foreseen, in taking this momentous step, that he was cutting himself adrift from the old Tory Party. Peel no doubt hoped to avoid a serious split, and might have succeeded if the country gentlemen had remained leaderless. But Tory indignation against Peel had been growing ever since the Duke of Buckingham's speech (February 27th, 1845) to the Bucks Conservative Association, when, "as a country gentleman, he expressed the feelings which pervaded his bosom" on the subject of Her Majesty's Ministry. Besides underrating the strength of the feeling against him in his own party, Peel had made a still greater mistake in contemptuously overlooking its most brilliant member. If Disraeli had been propitiated by inclusion in the Ministry a catastrophe might possibly have been averted. The country gentlemen already felt that they had been betrayed, though they were not inclined to trust themselves as yet to the leadership of a political adventurer. In the session of 1845 the Prime Minister had received their votes in the House and their abuse out of it.

A mutiny began as soon as Peel's new Cabinet was formed. The four Dukes of Newcastle, Buckingham, Richmond and Marlborough set to work to prove that pocket boroughs and county divisions were still controllable; and they were backed by the country squires, the country parsons and in most counties by a majority of tenant farmers. At the beginning of the new year (1846) a meeting of the Nottinghamshire Agricultural Protection Association was held at Newark,

and a memorial forwarded to the county members calling upon them to be worthy of the trust reposed in them by giving "the most determined opposition to Free Trade principles, and thus to represent these the undoubted opinions of your constituents." A parson who proposed the adoption of the resolution held a letter in his hand which had been written by Mr. Gladstone to Mr. Hassall, in relation to the reduction of the duty on osiers in the late alteration of the tariff. It was unsatisfactory. Mr. Hassall (of Shelford Manor), who then had "from twenty to thirty tons of brown rods, or osiers, which he could not sell" on account of Dutch competition, confirmed this, and added that he had written to Lord Lincoln, another local member, on the subject, and that his answer was no better than Mr. Gladstone's. Both Lincoln and the two members for Newark had been invited to attend this meeting, but had declined on various pretexts, Mr. Gladstone saying that "business and other difficulties would prevent his attendance."

Two seats immediately under the influence of the Duke of Newcastle were vacated through the acceptance of office in the new Ministry by Lord Lincoln, who represented South Nottinghamshire, and Mr. Gladstone, who represented Newark. The old Duke chose to do what he liked with his own, and showed himself to be perfectly consistent. His son and heir had to go, as well as his son's old college friend.

According to an apparently well-informed correspondent of the *Nottingham Mercury*, the feelings of the majority of the electors favoured Mr. Gladstone's re-election, and for ten days deputations and messages passed to and fro between Clumber, Newark and London. Finally, when the Duke of Newcastle, as well as Lord Winchilsea, refused to support him, Mr. Gladstone published an address in which he disguised the real cause of his retirement. A natural loyalty towards his old political patron made it impossible for the representative to consent to oppose the wishes of the proprietor of Newark.

Thus it came about that Gladstone was unseated at a critical moment, and was unable to help his chief in the Corn Law repeal debates when Disraeli scintillated at Peel's expense, deposed him from the leadership of the Tory Party and raised for a time the fainting spirit and drooping flag of Protection. But he rejoined without hesitation Peel's Cabinet for the purpose of repealing the Corn Laws. Immediately after accepting the office of Colonial Secretary (on December 22nd, 1845) he wrote to Mrs. Gladstone: "I am convinced that we are now in a position that requires provision to be made for the final abolition of the Corn Law." Peel thought he would be able to hold his party together besides placing his measure on the Statute Book. In that he was mistaken. As soon as Corn Law repeal was carried, he was defeated on a side issue and resigned.

CHAPTER VII

COLONIAL POLICY

FROM his first entry into Parliament, Gladstone was deeply interested in Colonial questions. A large business with the West Indies had led his father to acquire sugar plantations in Jamaica, and the abolition of slavery had induced Parliament to provide not only direct compensation, but also indirect compensation in the shape of differential duties favouring Colonial sugar and practically prohibiting imports of slave sugar from Brazil. In the second place, he was a fervent advocate of what may be called Church Colonisation, and made frequent efforts in support of Colonial Bishoprics. But during his association with the commercial reforms of Sir Robert Peel he began insensibly to develop views closely akin to those of Sir William Molesworth, a philosophic Radical whose opinions harmonised pretty closely with those of Joseph Hume, Cobden and John Bright. Cornewall Lewis's book on the Government of Dependencies, and Molesworth's speeches pointing to large reductions in the expenses of our Colonial Establishments —some of which were reprinted and circulated by the Financial Reform Association—probably influenced Gladstone's policy both in Office and in Opposition. At the Board of Trade he began to reduce Colonial Customs; and during his brief spell of office as Colonial Secretary in 1846 he gained useful experience in Colonial administration.*

In 1849, when the Whig Ministry introduced a Bill for

* In Dr. Paul Knapland's sympathetic and well-documented study "Gladstone and Britain's Imperial Policy" (London: George Allen and Unwin, 1926) much light is thrown on Gladstone's progressive views as a Colonial Reformer.

extending self-governing institutions in the Australian Colonies, Gladstone favoured a wider franchise. While fully concurring in the policy of granting a free system of government to Australia, he thought that the establishment of a self-governing oligarchy might be productive of grave dangers and difficulties. It had been recommended that a uniform tariff should be provided for Australia as a whole, but he dissented; for though a uniform tariff would be a good thing in itself, he believed that it ought not to be imposed by the British Parliament. It would be far better to leave the several Colonial Governments to settle these matters for themselves and frame their own tariffs.

In the same session there were debates about Canada, which was just emerging from a condition of metropolitan misgovernment, "Imperial interference" and domestic disaffection into one of Home Rule, contentment and loyalty. "What was the Canadian controversy?" asked Mr. Gladstone in 1886, when he had begun his last great political battle; "what was the issue in the case of Canada? Government from Downing Street. These few words embrace the whole controversy. . . . What was the cry of those who resisted the concession of autonomy to Canada? It was the cry which has slept for a long time, and which has acquired vigour from sleeping; it was the cry with which we are now familiar—the cry of the unity of the Empire. . . . In those days, habitually in the House of Commons, the mass of the people of Canada were denounced as rebels. Some of them were Protestants, and of English and Scotch birth. The majority of them were Roman Catholic, and of French extraction. The French rebelled. Was that because they were of French extraction and because they were Roman Catholics? No; for the English of Upper Canada did exactly the same thing."*

Six years later, at Chester on November 12th, 1855, Gladstone gave an elaborate address on 'Our Colonies,' which

* Speech in the House of Commons, May 10th, 1886.

provides us with a comprehensive view of his opinions, and shows how closely he had studied the whole subject in all its vast extent from ancient to modern times. Beginning with emigration, he remarked that in 1815, the year of Waterloo, only 2000 emigrants left our shores. "Between 1844 and 1854 the average rose to 267,000, and in the year 1852 the sum total rose to no less than 368,000—over a thousand persons thus quitting the shores of this country every day to find a home in the British Colonial Empire." The character of our emigration had been changing. It used to be composed mainly of paupers, and mostly of Irish paupers; but now "it is the most adventurous, the most enterprising, the most intelligent man, the most valuable member of society in the sphere in which he moves, who goes to seek his fortune in those distant lands."

Coming to the general subject, "I ask myself these two questions, both of them of the deepest interest to our country. In the first place, why is it desirable that England, or any other country should possess Colonies at all; and in the second place, if it is desirable that they should be possessed, in what manner ought these Colonies to be founded or to be governed?"

In Elizabethan times a great flow of adventurers had poured across the Atlantic in search of gold. In North America they were disappointed; but instead they discovered and gradually occupied a "great and powerful country, teeming with all the resources of Nature, offering a home to mankind, and offering to them also the opportunity and a most extended field for the development of human energy and industry in every branch." Another motive used to be put forward for the founding of colonies. This was that the revenue of the mother country might be increased by their direct contributions. Instances of this were still to be seen in the colonies of Spain, and perhaps also in certain colonial possessions of Holland. A far more important and prevalent idea was that colonies ought to be

acquired and maintained "for the purpose of establishing an exclusive trade, the whole profit of which should be confined to the mother country and enjoyed by the mother country." This was the modern colonial system, and all kinds of regulations had been framed to monopolise the colonial trade. But it was a false notion; it was quite false to suppose that "any trade is possible where the gains are all on one side," or that whatever is gained by one is taken from the other.

Having thus cleared away false motives and false ideas about colonisation, Mr. Gladstone proceeded to give the true reason why colonies are desirable. "They are desirable both for the material and for the social and moral result which a wise system of colonisation is calculated to produce." At that time, he thought, English emigrants probably got better wages across the Atlantic; they left less competition in the home labour market, and further, they helped to create or enlarge a market for our goods in their new home. And whereas foreign countries may injure our trade by obstructive tariffs, in British colonies "you are practically sure that trade will have fair play, and that the natural field which is open for its extension will not be narrowed by the unwise proceedings of men." In this respect Mr. Gladstone lived to see an unfortunate change, an outburst of the protective spirit in Victoria and several other colonies. But he did not live long enough to see British officials in India introducing protective tariffs to shut out Lancashire goods from the Indian market.

Apart from trade, there were great moral and social advantages from the increasing population and strength and wealth of the British self-governing Colonies, living under good laws and attached to a country "to which it is an honour and an advantage to belong." He quoted a saying of Roebuck's that the object of colonisation is the creation of so many happy Englands. An English colony was a reproduction of the image and likeness of England.

Granted, then, that colonisation is desirable, in what manner should colonies be founded, and how should they be governed? The colonies of ancient Greece were founded by the spontaneous energies of the mother cities. They became independent at once; but ties of affection still bound them to their metropolis. Mr. Gladstone thought that the golden age of English colonisation was in the seventeenth century and the early part of the eighteenth. At first a colony was regarded as a municipal corporation. He thought that the principle of colonial government was best understood in this country in the age of Charles II, and quoted Burke on the early history of the American colonies: "Through a wise and salutary neglect a generous nature has been suffered to take her way to perfection." In the seventeenth century English Governments had enough to do at home, and so they did not meddle, or did not meddle much, in the affairs of Virginia, New England and other colonies, which consequently, enjoying freedom, retained an affection for their old home. This, then, was the golden age of English colonisation, when our overseas settlements and plantations, united by ties of blood and character and affection to the mother country, grew and prospered in the practice of self-government.

Gladstone then passed to the silver age, as he called it—the period preceding the War of American Independence. The English Government and Parliament began to think that our rich colonies ought to contribute to the expenses of Empire, and especially when British troops were employed to defeat the French and Indians in North America. Accordingly, George the Third endeavoured to impose taxation on the American colonies without their consent. For this folly we paid a heavy price in the American War, and lost the richest part of our overseas Empire.

After touching on the American War and the wise and eloquent but unsuccessful efforts of Burke to avert it, the orator came to what he called the Brazen Age of English

colonial policy, from 1783 to 1840. Untaught by bitter experience, our Government continued to interfere in various ways, more especially by regulating the fiscal policy of our remaining colonies. Thus "we compelled the North American to pay an extra price for West India sugar; and then we compensated him by making the West Indian pay an additional price for North American wood; so that, instead of the commercial interchange being made a blessing or a benefit, we made it an interchange of evils and reciprocal inflictions."

Lastly, we used to exercise patronage for our own purposes in the Colonies "as far as we could venture." We used to send them undesirables to fill up even valuable posts. This was a frank admission of the charges made by Molesworth, Hume, Cobden and other Radical leaders against the old colonial system, with its costly jobbery, expensive patronage and absurdly large establishments, civil, military and naval, which weighed heavily on taxpayers at home, while obstructing the progress of our dependencies.

How, then, asked Gladstone, did this perverted form of colonial policy come into operation?

We had three classes of colonies. First, there were the slave-holding colonies, and in these, until slavery was abolished, it was impossible that institutions of a free character could be applied. Another class consisted of conquered colonies, like Quebec or South Africa, where free British institutions could not easily be planted. The third class consisted of penal colonies, to which criminals were transported.

The blame for this bad system of ruling our dependencies from Downing Street might be attributed largely to the war with France, when England was fighting against republican and revolutionary principles, as well as against a great military Power. Pitt, he thought, would undoubtedly have been willing to provide British colonies with free institutions; but the exigencies of war-time were totally un-

favourable to liberal tendencies, either in our political institutions or in fiscal matters. Then came the Canadian Rebellion, and from that time we set to work to concede self-government to our colonies. We really had no interest in withholding it. Our interests and those of the colonies were now in harmony. Experience had proved that if we wished to strengthen the connection, if we wished British institutions to be beloved in the colonies, we should never associate them with force, or attempt to exercise coercion at a distance over their rising fortunes. "Govern them upon a principle of freedom. Defend them against aggression from without. Regulate their foreign relations. These things belong to the colonial connection; but of the duration of that connection let them be the judges, and I predict that if you leave them the freedom of judgment it is hard to say when the day will come when they will wish to separate from the great name of England. Depend upon it, they covet a share in that great name." Their natural disposition was to love and revere England, and in these feelings would be found the best security for that most precious of all allegiances—"the allegiance which proceeds from the depths of the heart of man." Already they were harvesting the first-fruits of the new colonial system; for various colonies were offering their contributions to assist in supporting the wives and families of British soldiers who had fallen in the Crimean War.

A year or two before this, Disraeli, who had discovered that Protection is 'dead and damned,' was prophesying: "These wretched colonies will all be independent, too, in a few years, and are a millstone round our necks." Far from holding these views, Gladstone, as we have seen, gloried in the greatness and prosperity of a free Empire, or rather of a free Commonwealth of nations, united by common ties of affection and interest, by a common love of liberty, by a common determination to maintain their own rights, as well as by a respect and sympathy for the rights of others.

CHAPTER VIII

GLADSTONE'S POLITICS AND FINANCE FROM THE REPEAL OF THE CORN LAWS TO 1852

SIR ROBERT PEEL'S sudden resolution to repeal the Corn Laws, prompted by bad weather and a shortage of food in Britain and Ireland, broke up the Tory or Conservative Party even as Mr. Gladstone's rather sudden resolution to grant Home Rule to Ireland broke up the Liberal Party fifty years later. In both cases the split was of about the same dimensions. But whereas Sir Robert Peel carried his measure, and then failed to retain the bulk of his following in the country and in the House of Commons, Mr. Gladstone failed to carry his measure, but retained the bulk of his followers, both in the House of Commons and in the country. In both cases a period of confusion followed in Party politics. After 1846, the Peelites, or Conservative Free Traders, were divided in principles and Party allegiance, just as the leading Liberal Unionists—Hartington, Goschen, Bright, Chamberlain and Sir George Trevelyan—were divided after the defeat of the Home Rule Bill in 1886.* On June 26th, 1846, the Corn Law Bill passed the House of Lords, and before the night was over Sir Robert Peel's Government suffered defeat in the House of Commons. Sir Robert Peel resigned, and Mr. Gladstone ceased to be Secretary of State for the Colonies—a post which he had held for six months, though he had been unable to find a seat.

In the spring of 1847 the approaching dissolution of Parliament brought together memberless constituencies and seat-

* Among the leading Peelites Morley distinguished four shades of opinion.

less politicians. Gladstone was still looking for a seat when, at the beginning of the year 1847, a vacancy occurred in the representation of Oxford University. The attractions proved irresistible; but there were drawbacks. Canning had longed for Oxford, Peel had won and lost it. The constituency of the University of Oxford was predominantly Tory, of the strictest school. Most of the voters were attached to the Church of England, and resented all relaxations in favour of Roman Catholics and Nonconformists. They disliked Free Trade as a dangerous innovation, which might reduce rents and tithes and the College revenues. They wished to maintain the system of University tests, which then excluded from the University all who were not willing to profess themselves members of the Church of England. Sir Robert Inglis, the senior Member for the University, was an orthodox Tory of the old school, and Gladstone had to fight a Balliol man named Round for second place. Round was suspected of unorthodoxy, and even of some sympathy with the Nonconformists. The poll was kept open for several days, and eventually Gladstone was elected, the final figures being, Inglis 1600, Gladstone 950, Round 757. Stafford Northcote, with a band of zealous friends, worked hard for his chief, who explained privately to his secretary that the question for the electors was "whether political Oxford shall get shifted out of her palæozoic position into one more suited to her position and work as they now stand." But Oxford, the home of lost causes, moved very slowly in her political orbit from antiquated conceptions and prejudices; and in due course, when Gladstone stood forth as a Liberal Reformer, she rejected the most illustrious and devoted of her sons. In tracing his action in Parliament during the 'fifties, it is only necessary to remember that the political hesitation of a Peelite and a natural reluctance to break altogether with the Conservative Party, now under the leadership of Derby and Disraeli, were sometimes affected by Oxford considera-

tions. No politician can afford to disregard altogether the feelings of his constituents.

Lord John Russell's Whig Government, in which Sir C. Wood was Chancellor of the Exchequer and Palmerston Foreign Secretary, lasted until February 1852. The new Parliament of 1847 contained 325 Liberals, 226 Tory Protectionists, and 105 Peelites or Conservative Free Traders. After the death of Lord George Bentinck in 1848, Disraeli soon came to be recognised as leader of the Tory Opposition in the Commons, and after the death of Sir Robert Peel in July 1850, the leading Peelites—Sir James Graham, Gladstone, Sidney Herbert and Cardwell—feeling that Free Trade was no longer in danger, and knowing that Disraeli now regarded Protection as a lost cause, were less inclined to maintain the Whig Government in office. But when Russell was defeated in February 1851 they could not reconcile themselves to a Stanley–Disraeli Administration. Consequently, on Stanley's failure to form a Ministry, Lord John Russell returned to office in March 1851, and remained Prime Minister until, after a quarrel with Lord Palmerston, he was defeated in February 1852, on Palmerston's amendmend to a Militia Bill. Thereupon, Stanley, now Lord Derby, took office, with Disraeli as his Chancellor of the Exchequer and Leader of the House of Commons. He dissolved Parliament in July, but failed to gain a majority. The Conservatives and Liberals won a good many seats at the expense of the Peelites, who, however (though numbering only forty), held the balance between about 299 Conservatives and 315 Liberals or Whigs, and were instrumental in forming the Aberdeen Coalition of all the Talents.

This brief narrative of events will enable us to understand Gladstone's action during these years, and the decisive stroke which forced him to the front after the new Parliament met in November 1852 to discuss Disraeli's Budget.

Though the General Election of 1847, as we have seen, strengthened the Whigs, it did not enable them to dispense

with Peelite support. Gladstone indeed was never a Whig. He detested their Erastian policy in Church matters, and disliked Lord Palmerston's foreign policy, with its jingo flavour. But the Protectionist Party was still strong; and as the Whigs were now committed to Free Trade, Peel refused, by turning them out of office, to compromise what he now regarded as the prime object of British statesmanship. In later years, Mr. Gladstone used to maintain that Peel's fears were groundless. During the revolutionary year of 1848, he thought Lord Palmerston's patronage of continental liberty very dangerous, and in a letter to Monckton Milnes (February 1849) he protested against the Palmerstonian doctrine that we ought "to undertake the function of setting all countries right whenever we think they go wrong." During the revolutionary scare in England, when the Government offices were hastily fortified, he enrolled himself among the special policemen who were to protect London from the march of the Chartists. But amid all these controversies he never wavered in his opinions on commercial policy. When the Navigation Laws came under discussion in March 1849, he supported "conditional relaxation" in a score of speeches. "Absolute relaxation" he would not recommend, though he only opposed it in Committee, until the timber duties had been entirely swept away, arguing that if you "expose him [the shipbuilder] to unrestricted competition with foreign shipping, there ought to be a drawback, or the remission of the duty upon the wood that is necessary for his use." The Navigation Bill, which implied a virtual abandonment of the restrictions on shipping, was read a second time, after a long and adjourned debate, by a majority of fifty-six. Gladstone spoke strongly in favour of the second reading on March 12th, the last day of the debate. He quoted evidence given before a committee of the House of Lords in 1847 by a leading representative of the shipping interest, who said, "in so many words, that for many years past—some twenty

or thirty years, I think—fully one-half of the capital embarked in the shipping trade of this country had been lost, and that of the other part a very large portion has yielded no remuneration, and but a very few individuals, *rari nantes*, had here and there been fortunate enough to save themselves from the universal ruin."

At that time the Shipowners' Society held that Protection was a national principle which should never be departed from under any circumstances. "They think that in that principle there is something in the nature of a talisman, or a charm, or a mine of national wealth, which they would tenaciously cling to and cherish as their very life's blood." But the day of Protection was now past. "As long as there were various other cases of Protection in existence, the shipowner might rest listlessly under the shadow of that wide-spreading tree; but now that every branch has been lopped off, he must stand up and show what the special grounds are that entitle him exclusively to the continuance of Protection."

The whole speech is a brilliant exposition of "the self-regulating principle" by which populations and classes and individuals develop under Free Trade the pursuits for which they are best adapted, a principle to which Gladstone appeals by way of discrediting the vaticinations of Protectionists, who thought that a repeal of the Navigation Acts would spell ruin and bring about the displacement of British by Norwegian shipbuilders. The Bill was finally passed into law after some modifications which, in deference to Gladstone's suggestions, had been inserted in its later stages. The mutual concessions of Gladstone and of Labouchere, who, as President of the Board of Trade, was then conducting the measure, reminded Disraeli of the celebrated "day of dupes" in the French Revolution, when nobles and prelates flung their useless coronets and mitres to the dust. But Gladstone bore the sarcasm with good humour as one who "conscientiously differed" from its author on the question of the freedom of trade.

Early in the session of 1850 Gladstone, detaching himself from Peel and Graham, supported Disraeli's motion for a Committee to consider a revision of the Poor Laws in the interests of the agricultural classes. It was really a plan to compensate the country gentlemen for Corn Law repeal by reducing the rates on agricultural land, and was part of the strategy by which Disraeli was gradually weaning the Tory Party from Protection.* Gladstone argued that the incidence of the Poor Rate was unequal, and that farmers and independent yeomen would benefit. The Government just escaped defeat, and soon afterwards Gladstone again tried to beat them by supporting amendments to a Bill for extending self-governing institutions to the Australian colonies, and by himself moving a clause which would have given ecclesiastical autonomy to the Colonial dioceses of the Church of England.

But these are minor episodes of the session. Lord Palmerston's foreign policy was becoming too offensive and too dangerous to be overlooked or condoned. He was now engaged in bullying Greece. France had withdrawn her Ambassador from London, and Russia was supporting France. The trouble arose because the house of Don Pacifico—a Maltese Jew and an English subject—had been sacked by an Athenian mob. The Greek Government was unwilling to compensate him on his own terms. For this and minor offences Palmerston presented an ultimatum; and when the Greek Government procrastinated, he despatched a fleet to the Piraeus, which seized a number of Greek vessels. For these proceedings Stanley carried a vote of censure on the Government in the House of Lords. Roebuck, a Radical Jingo, came to its rescue in the Commons by asking the House to assert that the foreign policy of the Government was "calculated to maintain the honour and dignity of the country, and in times of unexampled

* "We cannot cling," he wrote, "to the rags and tatters of a protective system."

difficulty to preserve peace between England and the other nations of the world." A great debate arose on June 24th, 1850. When Lord Palmerston began his reply on the second night of the debate it was already late. For five hours he defended himself with almost superhuman energy and skill, until at last he ended triumphantly:—

> "I therefore fearlessly challenge the verdict which this House, as representing a political, a commercial, a constitutional country, is to give on the question now before it: whether the principles on which the foreign policy of Her Majesty's Government has been conducted, and the sense of duty which has led us to think ourselves bound to afford protection to our fellow-subjects abroad, are proper and fitting guides for those who are charged with the government of England; and whether, as the Roman in days of old held himself free from indignity, when he could say *Civis Romanus sum*, so also a British subject, in whatever land he may be, shall feel confident that the watchful eye and the strong arm of England will protect him against injustice and wrong."

Here was a challenge skilfully framed to rally the forces of bellicose patriotism and high-handed imperialism against a general onslaught in which Peelites and Cobdenites were co-operating with Tories. To understand the springs and motives of Gladstone's finance, we must remember that he had grown up during the starvation and misery of the years following a great war. He did not commit himself to the view that, in a world on which the precepts of the Sermon on the Mount had made so little impression, we can dispense with armaments. But as a great statesman and a great Christian, his influence was almost always used to promote peace and the reduction of armaments. Here, too, he was a disciple of Sir Robert Peel. In 1841, when our annual expenditure on Army and Navy combined was only eleven millions sterling, Peel felt that sum to be excessive, and asked in the House of Commons: "Is not the time come when the powerful nations of Europe should reduce their

armaments, which they have so sedulously raised? Is not the time come when they should be prepared to declare that there is no use in such overgrown establishments? What is the advantage of one Power greatly increasing its Army and Navy? Does it not see that other Powers will follow its example? The consequence of this must be that no increase of military strength will accrue to any one Power; but there must be a universal consumption of the resources of every country in military preparations." The dissipation of human energy on armaments and the waste involved in preparations for war are intimately associated with the chauvinistic nationalism to which Palmerston was appealing. No limit could be put upon the cost in which the *Civis Romanus sum* policy might involve the country through wars and preparations for war. The whole nature of Mr. Gladstone—all his moral and political principles—rose in revolt, and, after a day's preparation, he replied to Palmerston in one of the finest of all his orations. He examined the case of Palmerston's high-handed interference in its bearing on international law, and contended that Finlay, the historian, our Minister in Greece, and Don Pacifico "did not exhaust, or try to exhaust, the remedies which the laws of Greece supply." In discussing Don Pacifico's claims, he contrasted the inventory of his furniture—the couch worth £170, the china dinner-service worth £140, etc.—with the fact that he had not (outside his jewels, his furniture and his clothes) a single farthing, except a little plate pledged to the Bank of Athens for £30. The man was a pauper in all other respects save this: that "there was not an ordinary article from the top to the bottom of his house. Everything in it was a specimen of the richest and rarest of its kind."

But we may pass from the particular case of the astute pauper Jew, who knew so well "where his best market lay," to the general principle which Mr. Gladstone set up in answer to the challenge of the Jingoes.

What, then, was the antagonistic principle which Mr. Gladstone and his friends advanced to the rule of the Foreign Secretary's proceedings?

"I answer him in that one word to which I have referred: it is the principle of non-intervention in the domestic affairs of other countries. . . . Greatly as I respect, in general, the courage, the energy, the undaunted patriotism of the noble lord, I accuse him of this, that his policy is marked and characterised by what I must call a spirit of interference. I hold this to be a fundamental fault, a fault not to be excused. The noble lord tells us, indeed, that he does not go abroad to propagate extreme opinions in other countries. . . . No doubt he has the feeling, the feeling of every Englishman, a sincere desire that when a legitimate opportunity creates itself and makes it our duty, in conformity with the principles of public law, to exercise a British influence in the regulation of the affairs of other countries, that influence should be exercised in the spirit which we derive from our own free and stable form of government, and in the sense of extending to such countries, as far as they are able and desirous to receive them, institutions akin to those of which we know from experience the inestimable blessings."

On this there could be no difference of opinion; but then came the question:—

"Are we, or are we not, to go abroad and *make* occasions for the propagation even of the political opinions which we consider to be sound? I say we are not. I complain of the noble lord that he is disposed to make these occasions; nay, he boasts that he makes them. . . . Sir, I object to the propagandism even of moderate reform. In proportion as the representation is alluring, let us be on our guard. . . . Interference in foreign countries, Sir, according to my mind, should be rare, deliberate, decisive in character and effectual for its end. Success will usually show that you saw your way, and that the means you used were adapted and adequate to the purpose. Such, if I read these aright, were the acts done by Mr. Canning in the nature of intervention; they were few and they were effectual—effectual whether, when, in his own noble

language, he 'called the New World into existence to redress the balance of the Old,' or when, founding himself on the obligations of public law, he despatched the troops of England to prevent the march of a Spanish force into Portugal."

Very different was the policy of Lord Palmerston. He was no true protector of Englishmen abroad and of the oppressed of other countries. He insinuated groundless suspicions in order to justify his policy. "In vain do you talk to us of a knot of foreign conspirators; the only knot of foreign conspirators against the noble lord is the combined opinion of civilised Europe." This brought Gladstone to his peroration:—

"And now I will grapple with the noble lord on the ground which he selected for himself, in the most triumphant portion of his speech, by his reference to those emphatic words, *Civis Romanus sum*. He vaunted, amidst the cheers of his supporters, that under his Administration an Englishman should be, throughout the world, what the citizen of Rome had been. What, then, Sir, was a Roman citizen? He was the member of a privileged caste; he belonged to a conquering race, to a nation that held all others bound down by the strong arm of power. For him there was to be an exceptional system of law; for him principles were to be asserted, and by him rights were to be enjoyed, that were denied to the rest of the world. Is such, then, the view of the noble lord as to the relation which is to subsist between England and other countries? Does he make the claim for us that we are to be uplifted upon a platform high above the standing-ground of all other nations? It is, indeed, too clear, not only from the expressions, but from the whole tone of the speech of the noble viscount, that too much of this notion is lurking in his mind; that he adopts, in part, that vain conception that we, forsooth, have a mission to be the censors of vice and folly, of abuse and imperfection, among the other countries of the world; that we are to be the universal schoolmasters; and that all those who hesitate to recognise our office can be governed only by prejudice or personal animosity, and should have the

blind war of diplomacy forthwith declared against them. And certainly, if the business of a Foreign Secretary properly were to carry on diplomatic wars, all must admit that the noble lord is a master in the discharge of his functions. What, Sir, ought a Foreign Secretary to be? Is he to be like some gallant knight at a tournament of old, pricking forth into the lists, armed at all points, confiding in his sinews and his skill, challenging all comers for the sake of honour, and having no other duty than to lay as many as possible of his adversaries sprawling in the dust? If such is the duty of a good Foreign Secretary, I, for one, would vote to the noble lord his present appointment for his life. But, Sir, I do not understand the duty of a Secretary for Foreign Affairs to be of such a character. I understand it to be his duty to conciliate peace with dignity. I think it to be the very first of all his duties studiously to observe, and to exalt in honour above mankind, that great code of principles which is termed the law of nations. . . . A great and noble monument of human wisdom, founded on the combined dictates of reason and experience, a precious inheritance bequeathed to us by the generations that have gone before us, and a firm foundation on which we must take care to build whatever it may be our part to add to their acquisitions, if, indeed, we wish to maintain and to consolidate the brotherhood of nations and to promote the peace and welfare of the world. . . .

"Sir, I say the policy of the noble lord tends to encourage and confirm in us that which is our besetting fault and weakness, both as a nation and as individuals. Let an Englishman travel where he will as a private person, he is found in general to be upright, high-minded, brave, liberal and true; but, with all this, foreigners are too often sensible of something that galls them in his presence, and I apprehend it is because he has too great a tendency to self-esteem—too little disposition to regard the feelings, the habits, and the ideas of others. . . . Let us recognise, and recognise with frankness, the equality of the weak with the strong; the principles of brotherhood among nations, and of their sacred independence. When we are asking for the maintenance of the rights which belong to our fellow-subjects resident in Greece, let us

> do as we would be done by, and let us pay all respect to a feeble State, and to the infancy of free institutions, which we should desire and should exact from others towards their maturity and their strength."

Roebuck's motion in defence of the Government was carried on the following day, June 28th, 1850, by a large majority. A phrase like *Civis Romanus sum* in an unfamiliar language is often as effective with an average Englishman as a long word like Imperialism or Mesopotamia. And even in the minority there were many who voted merely from a party point of view. Certainly, the list of Noes is an extraordinary one, containing as it does, to mention no others, the names of Cobden, Disraeli, Gladstone, Milner Gibson, Villiers, Graham, Peel, Molesworth, Sibthorp, Bright and Inglis.

On June 29th, 1850, a day after the Don Pacifico debates ended, Sir Robert Peel was thrown from his horse. The fall proved fatal, and he died on July 2nd. He was only sixty-two, but forty-one years of Parliamentary life, and five years of arduous toil as head of a great Administration which had turned the finance and commerce of his country into new directions and prosperous channels, had impaired his vital energies. But he quitted the field, as Morley writes, in a happy moment. "His authority in Parliament never stood higher; his honour in the country never stood so high. His last word had been a commanding appeal for temperance in national action and language, a solemn plea for peace as the true aim to set before a powerful people." Yet, in spite of Peel's plea and Gladstone's magnificent oration, many Peelites had abstained from the Don Pacifico division, and twenty had actually voted with the Government. Though deeply moved by his leader's death, Gladstone did not think it a great calamity in our internal politics. Of Peel's moral sense and mental force and of his greatness in Parliament and administration, he always spoke not only in the highest terms, but also with a sense of deep personal

obligation. As he wrote in 1876, "Even the afterthought of knowledge of such a man and of intercourse with him is a high privilege and personal possession."

In a letter addressed to Queen Victoria in 1880 on Sir Robert Peel's Government, Mr. Gladstone remarked that he had lived "on terms of intimacy and even affection" with most of its active members. It was his conviction that "in many of the most important rules of public policy that Government surpassed generally the Governments which have succeeded it, whether Liberal or Conservative." He mentioned "purity in patronage, financial strictness, loyal adherence to the principle of public economy, jealous regard to the rights of Parliament, a single eye to the public interest, strong aversion to extension of territorial responsibilities, and a frank admission of the rights of foreign countries as equal to those of their own." His regard and respect for the political character and principles of Sir Robert Peel—so he informed his Sovereign—had in no way altered, and on all the above-mentioned points "he would desire to tread in their steps."

After Peel's death it was thought that Gladstone might become leader of a reconstituted Conservative Party. But Disraeli stood in the way, and in Gladstone's political character conservative and liberal elements were so blended that it was as difficult for him to act with Derbyite Tories as with Palmerstonian Whigs.

In the autumn and winter of 1850–1851, a visit of three or four months to Naples set aflame in him a new passion for political liberty, excited by detestation of the tyranny of King Bomba and the horrors of the Neapolitan prisons, where hundreds of political prisoners were lawlessly incarcerated. His thorough knowledge of Italian and his love of the people soon made him conversant with the iniquities of Neapolitan misgovernment. Thus, after a visit arranged for other reasons, and with a strong predisposition against interference in the domestic concerns of other countries,

Gladstone returned home inspired by "a deep sense of the duty incumbent upon him to make some attempt towards mitigating the horrors amidst which the government of that country was then carried on."

Gladstone's letters to Lord Aberdeen, describing the Neapolitan horrors and denouncing the Neapolitan tyrant, ran through many editions and were translated into many languages. His description * of King Bomba's system as the "negation of God erected into a system of government" deserves to live, and in the Europe of to-day, with all its ostensible democracy and boasted civilisation, similar systems and similar horrors are so numerous that we may long for a missionary statesman who might combine, as Gladstone did, the patient labours of the investigator with the practical pity of a philanthropist, the courage of an agitator and the righteous indignation of a freedom lover. Italians at any rate should remember how on their behalf Gladstone threw diplomacy and discretion to the winds, in an appeal to the conscience of Europe. The Neapolitan incident did something to reconcile Gladstone to Palmerston, for Palmerston expressed strong approval of his action. King Bomba balanced Don Pacifico.

The Parliamentary session of 1851 found Lord John Russell's Government in difficulties. The Peelites were an uncertain quantity, but when Russell resigned at the end of February, Gladstone was responsible for Derby's failure to form a Ministry. "The Earl of Derby," said Gladstone, recalling the incident thirty-one years later, "applied to me in 1851 to unite with him in the Government. Our communications on that point terminated on his informing me that he was desirous of imposing a moderate fixed duty on corn. The noble lord said it was not his intention to reverse the policy of Free Trade, but to modify it. I was opposed alike to a reversal or modification of that policy."

* Translated from Italian: see G. M. Trevelyan's "Garibaldi and the Thousand," p. 53.

A coalition between Whigs and Peelites now began to look feasible. But it was postponed by a No-Popery agitation, to which Russell gave some countenance in his Ecclesiastical Titles Bill. All the leading Peelites—Aberdeen, Graham, Gladstone, Sidney Herbert and the Duke of Newcastle—concurred in opposing the Bill, though it involved another breach with the Government. But Protection and finance again interposed. At first it looked as if the Government would fall on their financial policy. In 1851, the income tax was expiring for the third time, and again, as in 1845 and 1848, the questions—to quote Stafford Northcote*—whether it should be renewed, in what shape it should be renewed, for what period it should be renewed, and for what consideration it should be renewed, were pressing for decision. The treatment of the income tax as a temporary expedient for balancing the Budget and relieving trade of Customs and Excise Duties was established by Sir Robert Peel, who had renewed the tax in 1845 in order to carry on his commercial reforms. With Peel's support, Lord John Russell had renewed it for another period of three years in 1848, because he could find no satisfactory substitute for the necessary revenue. Now he was in a weaker position politically, though there was a substantial surplus. Disraeli's motion for the relief of agriculture was lost by a majority of only fourteen, and Sir Charles Wood, on opening his Budget on February 17th, found the House of Commons in an adverse and critical temper. He proposed to use his surplus of £1,892,000 to abolish the window duties (a thoroughly bad tax on light and health), which yielded that amount. But he also proposed to substitute a house tax to yield over a million, and to employ this revenue in reducing the duty on foreign timber, agricultural seeds, sugar and coffee, assigning the rest of his surplus to the relief of local rates and to a plan for reducing the National Debt. But before this Budget could be discussed, a Ministerial crisis

* "Twenty Years of Financial Policy," p. 135.

occurred, and Lord Stanley took ground against the income tax, urging that it should be reduced rather than the indirect taxes. On the other hand, a group of Radicals, led by Joseph Hume, favoured a maintenance and extension of the income tax, and the Peelites felt that they must close their ranks to resist any reaction against the commercial policy of the last nine years.

After Russell's resumption of office, Sir Charles Wood reintroduced his Budget with some modifications in the framework of the house tax, exempting small houses from taxation. He also withdrew the proposed relief to rates, and the reduction of duties on seeds, retaining a larger surplus to meet the expenses of the Kaffir War, which had just broken out. In the debates that followed, two Tory amendments—one directed against the income tax and the other favouring the relief of agriculture—were defeated. In both cases Gladstone voted with the Government. As regards the income tax, he thought it should be renewed only for the purpose of effecting large reductions of taxes on industry, as in 1841 and 1845. The remissions on coffee and timber were too small to justify its renewal. He agreed with the substitution of a house tax for a window tax, but thought the house tax had been placed on too small a basis, as it was confined to houses of more than £20 in annual value. In May, Joseph Hume carried an amendment limiting the duration of the income tax to one year, pending the appointment of a Select Committee to inquire into methods of assessment and collection, and also to consider the question of differentiating between the rates levied on precarious and fixed incomes. Hume carried his proposals, but Gladstone objected to the appointment of the Committee, and refused to serve upon it, thinking it would be dangerous to interfere with the framework of the tax. At a later stage, Gladstone and Disraeli both criticised the Budget from similar points of view, perceiving the difficulties that would arise over both income tax and house tax; but they could

not have foreseen that within eighteen months they were both destined, as successive Chancellors of the Exchequer, to bring forward Budgets of their own, and to be confronted with the very difficulties which they both anticipated.

Early in 1852, when the Earl of Derby took office as Prime Minister, he appointed Disraeli Chancellor of the Exchequer; but it was decided, as regards finance, to be content with temporary measures pending a General Election. Accordingly, Disraeli brought forward his Budget, in which he contented himself with proposing provisionally a renewal of the income tax for another year, which would leave a surplus of £462,000, after providing for the Kaffir War and additional expenditure on the Militia. His proposals were adopted; the session was wound up; Parliament was dissolved; and a General Election took place, at which Derby and Disraeli gained ground, though their supporters were still in a minority. The Peelites, with their numbers reduced to forty, held the balance between about 315 Whigs or Liberals and the 291 Tories whom Disraeli was educating to recognise the hopelessness of Protection. In the debate on the Address in November, Disraeli took occasion to announce that the Government did not intend to reverse the recent commercial policy of the country; but they wished to bring the financial system into better harmony with the commercial system, and would therefore hasten their financial proposals. Disraeli found himself in a difficult position. He had had no financial experience; all his knowledge of administration had been picked up in opposition. His party was still predominantly Protectionist. Landlords, farmers, shipowners and sugar-planters were all clamouring for relief; but a return to Protection was out of the question, for the country had again pronounced against it. The income tax would expire unless it were renewed, leaving a large deficiency; but he must devise a remission of some burdens to satisfy, or at least appease, the agricultural party. Accordingly, his December Budget included sops to the ship-

ping interest and the sugar-planters, while it appeased the farmers by halving the malt tax and the duty on hops. A more popular proposal was a reduction of the tea duties by successive stages from 2*s.* 2*d.* to 1*s.* per lb. The income tax was to be renewed for three years, and was to be extended downwards to industrial incomes of £100 and to propertied incomes of £50, but at the same time the rates on several schedules were to be reduced. He also proposed to increase the house tax, and to extend it to houses of only £10 annual value.

On the House going into Committee, the unpopularity of the Budget became evident. In Northcote's words, "Those who disliked the extension and the increase of the house tax, those who disliked the extension of the income tax, those who were hostile to the principle of its proposed modification, those who looked with jealousy on the reduction of the malt tax, and, in short, all objectors of all sorts, found themselves able to join in defeating the Ministerial scheme as a whole, though differing among themselves as to the merits of its several parts." A debate of extraordinary interest and excitement followed, in which most of the leading statesmen of all parties spoke. On the fourth night, December 16th, Disraeli, undismayed by the angry and loud, but discordant voices of his critics, pelted them with taunts, gibes and personal sarcasm in a speech which lasted from twenty minutes past ten to one in the morning. In his diary of December 18th, Gladstone tells how Disraeli's "superlative acting and brilliant oratory from time to time absorbed me, and made me quite forget that I had to follow him." His own speech had been fermenting in him for several days. There was a question whether the hour was not too late for reply, "but when I heard his personalities I felt that there was no choice but to go on. My great object was to show the Conservative Party how their leader was hoodwinking and bewildering them." We know from contemporary evidence how tremendous was the excite-

ment. The year 1832 itself, wrote Sir George Trevelyan, could boast of few more animated scenes than those enacted in the early morning of December 17th, "when the Tory leader, more formidable than ever in the audacity of despair, turned to bay in defence of his doomed Budget; and when, at the moment that friends and foes alike thought that the last word had been spoken on either side, Mr. Gladstone bounded on to the floor amidst a storm of cheering and counter-cheering such as the walls of Parliament have never re-echoed since, and plunged straight into the heart of an oration * which, in a single day, doubled his influence in Parliament and his popularity in the country." Beginning with an indignant and even furious onslaught upon the Minister for the bitter and sardonic personalities which had disfigured his speech, he rushed triumphantly upon figures and calculations, dissected the Budget and destroyed the Administration. It was nearly four in the morning when the numbers were read out: for the Government 286, against 305. Thus Ministers found themselves in a minority of nineteen, and immediately resigned.

Gladstone's powerful speech was much more than a superbly effective debating answer to his great rival in this beginning of the long duel, which was to last until Disraeli's death: it was an exposition of financial policy, with an outline of the principles of finance followed by Sir Robert Peel in the fiscal and financial legislation of 1842–1846. A good deal of it, indeed, is taken up with destructive, though rather technical, criticisms of Disraeli's half-baked proposals for altering the house tax and the income tax—proposals "so adroitly compiled," as Gladstone scathingly remarked, "that both of these taxes, being both of them direct taxes, shall

* This speech was the second of the great speeches delivered in Parliament by Mr. Gladstone. The first was the attack on Lord Palmerston's foreign policy (June 27th, 1850). Both appear in a selection of Gladstone's Speeches published by Methuen & Co. in 1916. This volume contains a most valuable descriptive index and bibliography of Mr. Gladstone's speeches and writings, compiled by Mr. A. Tilney Bassett.

strike precisely the same class." But in the course of his analysis Gladstone laid down some broad propositions. Disraeli had imposed, or enlarged taxation for the purpose of repealing the malt tax. On this head, Gladstone observed: "If we have got, which I shall show that we have not, two million five hundred thousand of public income to dispose of, we must dispose of it in the best manner we can. It is not enough to say that you will do something by the change. You must look over the existing duties calmly and candidly, and consider by what relief or remission you can do the greatest good to the consumer, to trade, and to the revenue. By that rule, and by that rule only, we can judge." Then he went on to complain that the repeal of the malt tax was entirely at variance with a rule laid down by the Chancellor of the Exchequer himself, "that all remissions of taxation must be judged of as public benefits, and that if any benefit accrue to the grower or producer of any article, it must be merely the accidental benefit that mostly accrues to the producer of any article the tax upon which is reduced or repealed." As Disraeli had already become "a pupil of Free Trade," and was going to legislate on the principles of Free Trade, "one main consideration I must tell him in the reduction of the duty [*i.e.* as distinct from its abolition] is the way in which it will stimulate the self-producing powers of the revenue." He then showed by their experience of the repeal of the beer duty how slowly consumption was likely to increase and to restore the revenue Disraeli was proposing to sacrifice. Then, as to the delicate operation of imposing one tax in order to repeal another, he observed that it was "a most uncommon proceeding" and "an operation which may possibly be justified," but one that was "sure to draw upon it the severest and most jealous scrutiny."

It had been suggested that the Government was acting as nearly as possible upon the principles which guided Sir Robert Peel in the year 1842, when he reimposed the income tax in order to facilitate commercial reform. Mr. Gladstone said:—

"I may presume to have an opinion on the question of what were Sir Robert Peel's principles of commercial reform. Long associated with a recollection that will ever be dear to me, and sharing in the first struggles that he made for that great object, I must necessarily have had many opportunities of observing the workings of his mind upon the subject; and the whole House and the country have ample means of knowing, by records of the time, if their memories do not enable them to know, what his principles were. The principles on which his commercial reforms rested were—first, to set free the raw materials of industry from duty. The right hon. gentleman the Chancellor of the Exchequer acted on that principle. There is still one raw material, and a most elementary raw material, that Sir Robert Peel, though he had the wish, never had the power, and the late Government, though they also had the wish, never had the power, to entirely free from duty—I mean timber. The repeal of that duty would have operated most beneficially for the shipping industry. But I have heard an hon. gentleman to-night say that because only seven and sixpence a ton will be saved on one class of ships, and two and sixpence on another, the relief thus given would be insignificant in amount. Why, if the average reduction were only five shillings per ton, that would amount to fifty pounds or a hundred pounds in the building of some classes of ships. But I wish to point out to the Committee that when the Chancellor of the Exchequer had a surplus of one million five hundred thousand, one principle of Sir Robert Peel would have led him to consider whether there was any raw material in the tariff not set free from fiscal burdens. He has, as he says, examined the tariff most carefully; but strange to say he has passed by the article of timber."

We shall see later on how Gladstone himself dealt with the timber duties in the spirit of Sir Robert Peel. He now went on to state the second of Sir Robert Peel's principles, which was "to remove or diminish duties protective in their character, and especially those that fell on articles of food." Were there no duties of that character still taxed by the tariff? Were there no duties on imported butter or cheese?

There were. But Disraeli had passed them by, though he professed to be acting on the principles of unrestricted competition. "He certainly does not re-enact protective duties, but he stops at the point where he finds the work of reform, and declines to carry it on."

Sir Robert Peel's third principle was to clear from the tariff unprotective and unnecessary duties, whose collection absorbed the whole, or the greater part, of the revenue therefrom. Disraeli had done nothing whatever in pursuance of this principle. The fourth and last of the Peelite principles enumerated by Gladstone took the form of lowering the duties on highly-taxed articles of food. This policy had culminated in the abolition of the Corn Laws.

Passing by all the other points in Sir Robert Peel's financial policy, the Chancellor of the Exchequer had bestowed "not only his whole surplus, but a great deal more," on carrying out this fourth principle by reducing the malt tax. And in so doing had he not offended against another principle of Sir Robert Peel's? "Whatever Sir Robert Peel did with respect to commercial reform, he did it always subject to the paramount obligation, of which he was conscious, to maintain the principle that ample sums should be raised in the year for the service of the year and for the maintenance of a steady surplus of revenue above expenditure." From this paramount principle even his eagerness for commercial reform never persuaded him to deviate. That principle, to the control of which all Sir Robert Peel's finance was subject, had been disregarded in Disraeli's Budget, which involved "the subversion of all those rules of prudence heretofore deemed necessary for the conduct of the financial affairs of this country." To conform with those rules it was essential that the Budget estimates should offer a reasonable probability of a genuine surplus. But the Budget before them was a Budget without a real surplus; for the Chancellor of the Exchequer had stated that evening in unmistakable terms that his surplus of £400,000 consisted only of the re-

payment of money borrowed. He "proposed to vamp up a surplus out of borrowed money," and for that fictitious surplus to obtain the sanction of the Committee. Instead of a surplus, there was an actual deficiency. "No economy is so good as that of maintaining the finances in a high state of credit."

In dealing with Disraeli's proposed additions to the house tax and his proposed alterations of the income tax, it had been argued on the Ministerial side that he was following the guidance of Sir Robert Peel, who had also imposed, or reimposed, the income tax in order to repeal customs duties, just as Disraeli was increasing taxes in order to repeal a portion of the malt tax. But Gladstone saw all the difference in the world between the suggested parallels. Disraeli was going to impose taxes on the general body of the community in a most ineffectual and worthless attempt at the relief, not of a class, but of a portion of a class. "This is precisely an inversion of the policy of Sir Robert Peel; for he imposed a tax on a class to relieve the entire body of the people. It was to you (*turning to the Ministerial benches*) that he made his appeal. You (*the party opposite*) are the men he called upon as the possessors of property; to you he made his special appeal to accept the income tax, in order that that relief might be given to the springs of industry and to the great consuming classes of the country." This led the great financier into an examination of the framework of the income tax and of Disraeli's failure to exhibit any intelligible plan for carrying out his promise to vary the different rates of the income tax in different schedules and to distinguish between realised and precarious incomes. We need not enter into the technical details; but Gladstone's observations on the proposed alterations to Schedule D are of historical interest. He said:—

> "The entire realised mercantile capital of the country—every farthing of it—is contained in Schedule D. The foreign fund-holders in this country, unless they happen

to have their dividends paid by an agent, are to be taxed fivepence farthing [in the pound]; but if the dividends are paid by an agent in the country, then they are to be taxed at sevenpence. I may be met by being told that the Chancellor of the Exchequer has no idea of the amount of foreign funds and securities held in this country; but well-informed men in the City of London have told me that they do not amount to less than eighty or a hundred millions sterling; not so great certainly in amount as the mercantile capital. That may be calculated by hundreds of millions."

So the new Tory Finance Minister, who was to revise their system of taxation with new plans to benefit everyone and injure no one, was asking them to pass a vote affecting Schedule D which would prevent them from putting the full tax on all this realised income, though he had himself said it ought to pay the full tax.

What was Sir Robert Peel's view of the income tax?—

"The view of the income tax as first proposed was one that did honour to the great statesman who conceived it. It was undoubtedly required in part to meet a deficit, but it had also this ulterior and principal purpose—to effect a great and needful commercial reform; to lighten the springs of industry; to give activity to trade, and to cheapen commodities of all descriptions. My belief is, that Sir Robert Peel viewed the income tax as a temporary measure ["*Hear, hear!*"], by which I mean a measure that was to continue in force so long as the great reason that called it into existence was to continue in force. I mean a *bona-fide* temporary measure, not limited absolutely to 3 or 5 years, but to the number of years that would be required to effect completely a great system of commercial reform. That was the true basis of the income tax. The income tax is odious in the judgment of many gentlemen in this House, and I do not think it is an unreasonable sentiment; it is open to argument, but I do not pretend to say it is an unreasonable opinion. It may be thought to bear hardly on various classes of persons—on annuitants, on persons receiving salaries and, above all, on persons in professions; and, in a secondary

degree, on persons exercising trades; but surely that which brought the bane brought also, in no small degree, the antidote. With a tax of sevenpence on actual receipts, and as regarded land with a tax of sevenpence on something more than actual receipts, commercial reforms were effected that made the receipts far larger than they had ever been before. And though persons receiving salaries, and engaged in professions, might at first sight undoubtedly object to paying the same rate as the possessors of property, I will ask, Were not the articles which they consumed cut down in price, and did they not receive the benefit of that reduction? The right hon. gentleman very properly said, in speaking of the clerk, that there is no one who received so much advantage from the imposition of the income tax and the commercial reforms as he has done, because he is a consumer, and is not a producer of any saleable commodities; but does not the right hon. gentleman see that that applies to the whole class of persons receiving salaries? But though I say this, I do not deny that the question of the reconstruction of the income tax is open. All I say to the right hon. gentleman is this, 'Let us have a plan.' . . . What is the use of a Minister of the Crown rising in his place, and saying, 'The time has come when we must recognise the difference between permanent and precarious incomes; and when challenged upon the absurdities and anomalies, inconsistencies and self-contradictions, of his plan by a gentleman in this House, he says, 'That is not my plan! I found it in the schedules as they stand; but they are all to be reconstructed.' "

With the proposition that it was time to distinguish between permanent and precarious incomes Gladstone was prepared to agree, and was ready to examine Disraeli's plan, "saving always my right to support the case of the fund-holder." But he suggested that the Tories "should consider that there is another kind of gradation of which little or nothing has yet been said." " It is true that a doctor with three hundred a year is a good deal poorer than a man who draws three hundred a year from the funds, but there was also the case of the yeoman farmer with a freehold property worth fifty

pounds a year, who cannot quite so well afford to pay sevenpence in the pound as the Duke of This or the Marquis of That, who, being like the yeoman and possessing landed property, differ from him in this, that while he possesses landed property of the value of fifty pounds a year, they possess landed property worth fifty or a hundred thousand? I hope honourable gentlemen will well consider whether they are prepared not only to distinguish between the landowner and the professional man, but likewise to graduate between the holders of large and the holders of small properties."

It is only by a very careful examination such as I have been trying to give of this wonderful speech, delivered in an atmosphere of tense excitement, and rightly regarded as a masterpiece of lucid exposition and solid argument by one versed in all the intricacies and technicalities of the case, that we can understand how from this time forward Gladstone was hailed as the legitimate successor of Sir Robert Peel, and the greatest living exponent of national finance. Little wonder that in the next year, as Chancellor of the Exchequer in Lord Aberdeen's administration, he was introducing the first, and perhaps the most memorable, certainly the most brilliant, of his Budgets. We shall see in our next chapter how he developed a new set of proposals on the lines laid down or indicated in this speech on Disraeli's still-born Budget.

CHAPTER IX

MR. GLADSTONE CHANCELLOR OF THE EXCHEQUER

HIS FIRST BUDGET 1853

AFTER the defeat of Disraeli's Budget and the fall of the Derby–Disraeli Government, a coalition between Whigs and Peelites became necessary if the Queen's Government was to be carried on, and eventually Lord Aberdeen succeeded in bringing into the same Cabinet Lord John Russell as Foreign Secretary, Lord Palmerston as Home Secretary, Mr. Gladstone as Chancellor of the Exchequer and a number of others so able and distinguished that the combination became known as "the Government of All the Talents." During the process of Cabinet-making, Sir James Graham was mentioned for the Exchequer, but the view which prevailed was expressed in a sentence: "Mr. Gladstone destroyed the Budget; so he ought to make a new one." On February 3rd, 1853, as we learn from Morley's "Life," Gladstone moved into No. 12, Downing Street,* the official house of the Chancellor of the Exchequer, where, or at No. 10, he was to pass more than half of the forty-one years of public life that still lay ahead. Two days later, at a Cabinet meeting, he began his first skirmish in a long warfare against wasteful, ex-

* In the old days No. 10 was the Prime Minister's residence, and No. 11 was a dummy door, possibly used for the lower floors of both 10 and 12, comprising private secretaries' rooms, etc. The Chancellor of the Exchequer's was No. 12. When the new Whips' Office was extended into St. James' Park the No. 11 on the door separating the two official residences was withdrawn and cancelled; the Chancellor of the Exchequer's became No. 11, and the new Whips' quarters No. 12, so that the number of the house occupied by Gladstone at first was No. 12 and not No. 11.

travagant, or what he deemed unnecessary, expenditure. The new Chancellor of the Exchequer proposed a reduction of British forces in the Pacific. "Lord Aberdeen, Granville, Molesworth and I were for it. We failed." Here he was following strictly in the footsteps of his master, Sir Robert Peel. Long afterwards, speaking of Peel in a talk with Mr. George Peel, Sir Robert's grandson, Mr. Gladstone exclaimed: "He was a rigid economist. Oh, he was a most rigid economist!" Financial reform, as understood by a Peel or a Gladstone, implied and involved a severely economical administration of public money in all departments. It involved also the substitution of relatively good taxes for relatively bad taxes, and the removal of all those which burdened the consumer, or embarrassed trade, without a corresponding advantage to the Exchequer.

It was also the deliberate opinion of that school of statesmanship of which Peel and Gladstone were the foremost representatives, that no Chancellor of the Exchequer ought to add to the taxation until he has made every effort within his power to cut down all wasteful and unnecessary expenditure. From the time when Gladstone entered the Exchequer until his last days as Prime Minister public economy was a keynote of his policy. He had seen in his youth and early manhood the effects of oppressive taxation upon the people, the vast majority of whom were ill-fed, ill-clothed and ill-housed. For a generation after Waterloo, English Governments, like English individuals, found it difficult to make both ends meet. It was far harder to raise fifty millions in the middle of the nineteenth century from a population of twenty-seven millions than to raise double that sum at the end of Gladstone's life from a population only one-third larger. A general lightening of taxation had not only made the remaining taxes far more productive, but had diffused such prosperity throughout the nation that every class in the community was enjoying an enormously higher standard of comfort. National revenue, after all,

must be a deduction from the aggregate incomes of taxpayers; and so long as the revenue grows less rapidly than these aggregate incomes, and so long as the system of taxation is progressively just and scientific, all classes stand to gain in material wealth and comfort as well as in those advantages which are to be derived from a wise expenditure on public health, education, roads, parks and all the other accessories of good government.

While the necessity for national economy was thus early impressed on Gladstone's mind, another principle contended in friendly rivalry for supremacy in his Budgets. The success of the two great revisions of the Customs tariff in 1842 and 1845 had convinced him that the principles of simplification ought to be carried to their logical conclusion. He was determined to make the bounds of commercial freedom wider yet. At first the Free Trade principle demanded the largest share of his attention; but we shall see how there gradually grew up in his mind a conviction, slowly and reluctantly formed, that the very measures which he had passed with the object of striking off the fetters from the feet of industry were producing in the nation, not only the capacity, but also the taste for expenditure. Extravagance proved to be the natural concomitant of prosperity; and Gladstone saw with consternation and disgust the very income tax which had been in the hands of Sir Robert Peel and himself an indispensable weapon of commercial reform, perverted into an instrument for increasing the cost and size of our military and civil establishments. To the conflict in his mind between these two principles of Free Trade and public economy, or rather to his varying views about their relative importance, may be traced the deviations in the course of his policy with regard to the income tax, culminating after twenty years in an unsuccessful attempt to get rid of it altogether.

But when Gladstone first became Chancellor of the Exchequer, public expenditure had not yet shown any sensible

tendency to increase; neither was the work of Free Trade legislation much more than half complete. On the other hand, the difficulty of retaining the income tax was great. It had been imposed by the authority of Sir Robert Peel in 1842, as the only means of maintaining the national credit and of balancing expenditure by revenue. Success justified and obtained its renewal in 1845. When in 1848 a similar policy was pursued, it seemed as if an income tax of 7*d.* in the pound triennially renewed was to become one of the unwritten articles of the British Constitution. But the unpopularity of the tax was rapidly growing; and in 1851 Lord Stanley, taking advantage of the turn of opinion, declared it to be an object not only of vital importance, but one to which the faith of successive Ministries had been pledged, that the income tax should not be permitted to degenerate into a permanent tax. At that moment the tax was in the greatest danger from its most ardent supporters—the Philosophical Radicals and economists, who were so enamoured of the abstract and ideal type which they had formed in their own minds that they were determined to amend and reconstruct its earthly and imperfect copy. Hume therefore proposed and carried an amendment in 1851 limiting the renewal of the tax to one year, and appointing a Select Committee of inquiry with a view to improve the methods of assessment and collection.* Cobden saw, and voted against, the impolicy of his friends, and Gladstone not only opposed the appointment of the Committee, but refused to serve on it. In the following year Disraeli's hastily extemporised Budget did not touch the problem, but postponed it by provisionally renewing the income tax for another year. Of Disraeli's second Budget, so mercilessly destroyed by Gladstone, enough has been said. He found it convenient to forget Lord Derby's denunciation of the income tax. In-

* The Committee was unable to agree upon a report; but the evidence taken proved that a reconstruction of the income tax was eminently desirable and highly impracticable. Most of the members started with the idea of differentiating between realised and precarious income.

stead of reducing it with a view to ultimate abolition, Disraeli proposed to rehabilitate it by a number of ill-considered changes.

The difficulties Gladstone had to meet in the spring of 1853 were prodigious. He had been instrumental in overthrowing his rival's Budget. What was he to put in its place? The income tax was highly unpopular in the country. The House of Commons had already declared against its prolongation in an unmodified form; but he decided that for the time being the advantages of the tax outweighed its disadvantages, and determined not only to renew it for a longer period than ever before, but also to renew it in an unmodified form. His strong will and financial reputation were, no doubt, elements of success; but the victory was mainly won by the marvellous speech which, in Northcote's words, "not only obtained universal applause from his audience at the time, but changed the convictions of a large part of the nation, and turned—at least for several years—a current of popular opinion which had seemed too powerful for any Minister to resist." *

Gladstone began by impressing on a crowded House his sense of the importance of the annual exposition of the financial state and prospects of the country and the increasing interest and "even eagerness" of the people with respect to financial questions. First came a brief review of the revenue and expenditure for the year ending April 5th, 1853. The balance-sheet showed a gratifying surplus of nearly two and a half millions, of which, however, nearly three-fifths was already disposed of, owing to large increases in expenditure. Then followed an estimate of the probable expenditure and revenue for 1853–4; and Gladstone expressed a "sanguine hope" that a surplus of £800,000 would be realised. But this assumed the continued existence of the

* "Twenty Years of Financial Policy," p. 185. Mr. Gladstone's speech, delivered April 18th, 1853, may be found (reprinted, with corrections, from Hansard) in "The Financial Statements of 1853, 1860–3," pp. 1–100. London, Murray, 1863.

income tax, which, however, "has at this moment legally expired; and it will be for the Committee to consider whether or not they will revive it." One may imagine the buzz of expectancy: the magician was about to part with his secret! Not so. "Before I venture on a detailed and continuous exposition of the views of the Government with respect to prospective finance, there are three incidental questions to which I shall briefly advert"; and the Chancellor coolly engaged an eager House in digressions upon the shipping interest, and "that which is called the West Indian interest," and the "collateral topic" of the Exchequer Loan Fund. "I now, Sir," he proceeded, "approach a very difficult portion of the task that I have to perform—the discussion of the income tax. And here the first question that this Committee has to consider is whether or not it will make efforts to part with the income tax at once." Gladstone might have denied the possibility of such a course; but he was far too astute. He accepted the alternative as possible, but proposed a substitute—as if it were the only possible substitute—which he knew would be far more distasteful to a majority of the House than the income tax itself. "I believe that by the conjunction of three measures, one of which must be a tax upon land, houses and other visible property, of perhaps 6*d.* in the pound, and another a system of licences upon trade made universal—and averaging something like £7, and the third a change in your system of legacy duties, it would be possible for you at once to part with the income tax." An exhilarating prospect for the majority of his hearers! But, needless to say, Her Majesty's Government did "not recommend such a course." Such a system would be "far more unequal" and would "arrest other beneficial forms of taxation." What, then, were the Government's intentions? Surely they could not be any longer withheld. An ordinary Anglo-Saxon would have blurted them out ten minutes earlier. But the House was not yet prepared to applaud. A vague sense of an oppressive

alternative was not enough. The subject might be depicted in all or more than all its majestic proportions; imagination might be fired, patriotism kindled, by a glowing historical sketch. Let us mark how the consummate artist again sets to work:—

> "Now, in regard to the income tax, I wish that I could possess the Committee with the impression that effort and study have made upon my own mind, of the deep and vital importance of the subject. We are too apt to measure the importance of the subject by the simple fact that we draw from this tax £5,500,000 of revenue. Sir, that sum is a large one, but the mention of it conveys no idea to the Committee of the immense moment and magnitude of the question. If you want to appreciate the income tax, you must go back to the epoch of its birth; you must consider what it has done for you in times of national peril and emergency; you must consider what, if you do not destroy it—and I will explain afterwards what I mean by destroy—what it may do for you again if it please God that those times should return."

Thus to vote against the income tax was represented as an action equivalent to political infanticide and in wilful opposition to Divine Providence. And the enormity was aggravated by a retrospect.

> "It was in the crisis of the revolutionary war that, when Mr. Pitt found the resources of taxation were failing under him, his mind fell back upon the conception of the income tax; and, when he proposed it to Parliament, that great man, possessed with his great idea, raised his eloquence to an unusual height and power. . . . I do not know whether the Committee are aware how much the country owes to the former income tax; but, because I deem it to be of vital importance that you should fully appreciate the power of this colossal engine of finance, I will venture to place before you, in what I think an intelligible and striking form, the results which it once achieved. I will draw the comparison between the mode in which your burdens were met during three periods: during that period of the

Great War when you had no income tax; during that period of the war when you had the income tax in a state of half-efficiency; and during that last and most arduous period of the war when the income tax was in its full power.

"From 1793 to 1798, a period of six years, there was no income tax; from 1799 to 1802 there was an income tax, but the provisions of the law made it far less effective, in proportion to its rate, than it now is; and lastly, from 1806 to 1815, a period of ten years, you had the income tax in its full force. Now, every one of us is aware of the enormous weight and enormous mischief that have been entailed upon this country by the accumulation of our debt; but it is not too much to say that it is demonstrated by the figures that our debt need not at this moment have existed, if there had been resolution enough to submit to the income tax at an earlier period. This test of my assertion, I think you will admit, is a fair one. I begin by putting together the whole charge of government and war, together with the charge of so much of the National Debt as had accrued before 1793; so as to make (if I may so express myself) a fair start from 1793. The charge of government and war, together with the charge of debt incurred before 1793, amounted, on the average of the six years, down to 1798, to £36,000,000 a year; the revenue of that period, with all the additional taxes that there were laid on, amounted to £20,626,000 a year; there was, therefore, an annual excess of charge above revenue—charge for government, for war and for debt contracted before 1793, but not including the charge of debt contracted since 1793—of no less than £15,404,000.

"Now the scene shifts. In 1798 Mr. Pitt just initiates the income tax, and immediately a change begins. In the four years from 1799 to 1802, the charges for the same items that I have mentioned, which had been £36,000,000, rose to £47,413,000 a year; but the revenue rose to £33,724,000 a year, and the excess for these four years was diminished by nearly £2,000,000 a year: instead of an annual excess of £15,404,000 over revenue, it was £13,689,000. But next look to the operation of the tax, both direct and collateral, from 1806 to 1815, during the very time when our exertions were greatest, and our charges heaviest. The average

annual expenses of war and government, from 1806 to 1815, together with the charge upon the debt contracted before 1793, were £65,794,000; but you had your income tax in its full force, with your whole financial system invigorated by its effects, and the revenue of the country now amounted to £63,790,000; while the deficiency in actual hard money, which during the war represented something like double the amount in debt, owing to the rate at which you borrowed, instead of being £15,404,000 a year, as it was in the first period, or £13,689,000 a year, as it was in the second period, was only £2,004,000 a year from 1806 to 1815.

"Such was the power of the income tax. I have said there was a deficiency annually of £2,004,000; but it is fair for you to recollect—and it is necessary in order fully to present to you the fact I want to place in clear view—that out of the £65,794,000 of charge which I have mentioned, about £9,500,000 was due for charges of debt contracted before 1793; so that, if you compare the actual expense of government, including the whole expense of war from 1806 to 1815, with your revenue when you had the income tax, it stands thus before you—that you actually raised £7,000,000 a year during that period more than the charge of government and the charge of a gigantic war to boot. That, I must say, is, to my mind, a remarkable fact. It affords to me the proof that if you do not destroy the efficacy of this engine—I do not raise now the question whether it is to be temporary or permanent, which I hold to be quite a different question, and I will enter upon it by and by—it affords you the means, should unhappily hostilities again break out, of at once raising your army to 300,000 men and your fleet to 100,000, with all your establishments in proportion. And, much as may be said of the importance—in which I concur—of an Army Reserve and a Navy Reserve, and of having your armouries and arsenals well stored, I say this fiscal reserve is not one whit less important; for, if it be used aright, it is an engine to which you may again resort; and with this engine, judiciously employed, if unhappily this necessity should again arise—which may God in His mercy avert—with it, judiciously employed you may again, if need be, defy the world."

So far Gladstone had dwelt only upon the value of the income tax in time of war, and no doubt growing apprehensions of a struggle with Russia added force to his argument. But the tax was not merely effective as a spear in the hands of a military Pitt, it had also been turned into a pruning-hook by the commercial genius of Peel:—

"Well, Sir, the income tax dropped, along with the purpose of the income tax, in 1816; but it was destined to be revived. Sir Robert Peel, in 1842, called forth from repose this giant, who had once shielded us in war, to come and assist our industrious toils in peace; and, if the first income tax produced enduring and memorable results, so, I am free to say, at less expenditure by far in money, and without those painful accompaniments of havoc, war and bloodshed, so has the second income tax. The second income tax has been the instrument by which you have introduced, and by which I hope ere long you may perfect, the reform, the effective reform, of your commercial and fiscal system; and I, for one, am bold enough to hope—nay, to expect and believe—that, in reforming your own fiscal and commercial system, you have laid the foundations of similar reforms—slow, perhaps, but certain in their progress—through every country of the civilised world. I say, therefore, Sir, that if we rightly use the income tax, we shall be entitled when we part with it to look back upon it with some satisfaction, and to console ourselves for the annoyance it may have entailed by the recollection that it has been the means of achieving a great good immediately to England, and ultimately to mankind."

By this time the House of Commons was ready to agree that the Chancellor could not, at present, with due regard to the public interest, part with the income tax. He was now therefore at liberty to submit the impost to a closer analysis and to investigate the charges alleged against it.

"I am not one of those who make light of such charges. In my own individual opinion it is perfectly plain, from the mode in which the income tax was put an end to at

the termination of the Great War, that it is not well adapted for a permanent portion of your ordinary financial system. Whether it is so or not, a matter on which there is a great difference of opinion, yet I think this is on all hands agreed, that it is not adapted for a permanent portion of your fiscal system, unless you can by reconstruction remove what are called its inequalities. Even, however, if you could remove its inequalities . . . there would still remain, in my mind at least, objections of the gravest character."

The financial scheme now unfolds itself naturally enough. The preliminary dispositions are complete, and it is seen that any new movement must depend upon three fundamental propositions as to what is practicable, desirable and possible:—

1. That the income tax must be prolonged for another period of years.

2. That it is certainly undesirable that it should permanently form part of our financial system unless it can be satisfactorily reconstructed.

3. That such reconstruction is impracticable—an opinion which is arrived at after a long, closely argued and exceedingly subtle analysis.

The case against the income tax as a permanent source of revenue is then summed up as follows:—

"The general views of Her Majesty's Government with respect to the income tax are that it is an engine of gigantic power for great national purposes; but, at the same time, that there are circumstances attending its operation which make it difficult, perhaps impossible, at any rate in our opinion not desirable, to maintain it as a portion of the permanent and ordinary finances of the country. The public feeling of its inequality is a fact most important in itself. The inquisition it entails is a most serious disadvantage; and the frauds to which it leads are an evil which it is not possible to characterise in terms too strong."

Gladstone's scheme is the natural result of the three conclusions; and it corresponds with the doctrine which he has just laid down, that whatever you do "you must be bold, you must be intelligible, you must be decisive":—

> "Our proposition, then, so far as it merely regards the income tax, is this. We propose to renew it for two years from April 1853, at the rate of 7*d.* in the pound. The Committee will recollect that I said we thought it our duty to look the whole breadth of this difficulty in the face; not to endeavour to escape it, not to endeavour to attenuate or to understate it, but to face and to settle, if the Committee would enable us, the whole question of the income tax. We propose, then, to re-enact it for two years, from April 1853 to April 1855, at the rate of 7*d.* in the pound; from April 1855 to enact it for two more years at 6*d.* in the pound; and then for three years more—I cannot wonder at the smile which I perceive that my words provoke—for three more years—from April 1857 at 5*d.* Under this proposal, on the 5th of April, 1860, the income tax will by law expire."

I have done my best to summarise one of the most wonderful passages of persuasive and successful reasoning in the records of parliament. There is nothing plain or simple about the position which Gladstone sought to establish. The tax was unpopular; the speaker admitted that it had many bad points. And yet this proposal of a new and untried Chancellor of the Exchequer to extend it for seven years—a period more than twice as long as that which Sir Robert Peel himself had ventured to ask for—excited enthusiastic approval. The subject is difficult, its treatment is subtle; yet so lucid is the exposition, so fascinating the art, so alluring the argument, that the veriest layman may understand, find pleasure, and be convinced. And if this be true of a modern reader, what must it have been for hearers, who received it through the medium of the matchless voice and speaking gesture!

But a mere reimposition of the income tax was insufficient

to give Gladstone the surplus he required for his operations on the tariff. He therefore lowered the rate of exemption to incomes of £100 a year. This, he calculated, would bring in £250,000 annually. The income tax was also to be extended to Ireland, to which country a large, but scarcely an equivalent, boon was at the same time granted in the shape of a remission of the debt of £4,500,000 due for the advances made during the Irish famine from the Imperial Exchequer. At the same time he raised the duties on Scotch and Irish spirits, and proposed a revision of trade licences * in the interests of the revenue.

But of all the minor proposals, perhaps the boldest and most difficult to carry through was the succession duty, which extended to successions in real property duties similar to those payable in the case of legacies. This, by a strange miscalculation, was to produce an immediate addition of half a million, and an ultimate addition of no less than two millions, to the revenue.†

Gladstone's Succession Duty Bill was similar to that which Pitt was compelled to withdraw in 1796. Pitt was beaten on the third reading in the House. Gladstone had to win a preliminary victory in the Cabinet. The story is well known and authentic. Nassau Senior, who spent some days in the September of 1850 at Haddo, in Aberdeenshire, with Lord Aberdeen, reported in his diary a saying of his host. "I agree," said Lord Aberdeen, "that Gladstone does not weigh well against one another different arguments, each of which has a real foundation. But he is unrivalled in his

* This, however, was abandoned.

† In 1852 the legacy duty produced £1,380,000. In 1860 the legacy and succession duties together produced £2,169,000. The increase is only £711,000, and even of that only £605,000 can be put to the credit of the succession duty. One naturally contrasts Mr. Gladstone's disappointment with the extreme accuracy of Sir William Harcourt's forecast with regard to the death duties of 1894. Ought the difference to be ascribed to the growth of a prophetic instinct in the Inland Revenue Department? Mr. Gladstone tried to account for his miscalculation in the Budget speech of 1860.

power of proving that a specious argument has no real foundation. On the Succession Bill the whole Cabinet was against him. He delivered to us much the same speech which he made to the House of Commons. At the close we were all convinced."

The Succession Duty Bill was one of the most complicated and technical pieces of legislation ever undertaken even by Gladstone. But Lord Thring, who drew it, declares that Gladstone understood it as well as Bethell, the Attorney-General, that is to say, perfectly. The Chancellor of the Exchequer could be a lawyer when occasion required, as well as a theologian and an economist. The Bill was passed; and a first step towards equalising the spirit duties was equally successful, although there, too, several of his predecessors had tried and failed. The process was completed in 1858.

So much for the revenue. The changes would, it was calculated, give a surplus of £2,151,000, which would be available for the remission of taxation. In the first place, the tax which the State in its wisdom had imposed upon cleanliness—the excise duty on soap—was repealed, a change which—to the credit of our ancestors—involved a considerable loss of revenue. The advertisement duty was also abolished, and a great reform was carried out in the whole system of assessed taxes. But Mr. Gladstone did not confine his attention to the Inland Revenue. Another wide sweep, resembling those of 1842 and 1845, was made under the head of Customs. Protective and discriminating and *ad valorem* duties were largely abandoned. No less than 123 articles were entirely removed from the tariff, and the duties upon 133 others were reduced. Altogether the remissions of indirect taxation amounted to not less than £5,384,000.

These remissions, like the additions, are closely connected with the income tax scheme, which is, as it were, the centre round which all the rest of the Budget revolves:—

"With this remission of indirect taxation we propose to continue the bringing about a state of things, or the rational prospect of a state of things, in which you can, if you so think fit, really part with the income tax."

But the Crimean War interfered with the realisation of Gladstone's schemes. This catastrophe, coupled with a bad harvest, had another unfortunate consequence. It frustrated an attempted operation upon consols. The 3 per cents. stood in December 1852 at 101¼. It was thought that interest would fall yet further; and, as everyone knows, for financial operations an expectation of a fall is almost as good as the fall itself. The Chancellor proposed to reduce the 3 per cent. stock to 2½ per cent., and tried to seduce the fund-holder from his stronghold by offering him three choices. The triple snare was happily conceived; but holders were allowed a period of six months within which to exercise their option. Nothing was to be lost by waiting; and the temptation steadily weakened, until at the end of the period none of the three offers was in the least acceptable.*

This remarkable Budget of 1853, which we have singled out for special notice as perhaps the most brilliant of Gladstone's achievements in the House of Commons, is distinguished by the breadth and diversity of its aims, the boldness of its conception, and the immense benefits which it conferred on the nation. If a fresh stimulus had not been given to commerce, and if the credit of the income tax had not been revived, it is hardly possible that our trade and finance could have stood out so stoutly against the strain of the Crimean War, when those of our enemy and of our chief ally underwent so considerable an abatement. Two sets of figures will suffice to

* For a further account of this interesting failure see Northcote's "Twenty Years of Financial Policy," pp. 220–234. Oddly enough, Northcote fails to point out Mr. Gladstone's cardinal error. Attention was drawn to it after the publication of "Gladstone's Financial Statements," by an able reviewer in *The Times*. Gladstone confessed afterwards that he had failed to discern the signs of the times and consequently missed high water mark in the money market. See Morley's "Life," Book IV, chapter II.

prove the vigour of British commerce. Take first the exports of textile fabrics from the United Kingdom:—

In 1853.	In 1855.	In 1856.
£52,299,000.	£51,123,000.	£59,915,000.

Take again the returns of British shipping—that is, of the tonnage of British vessels in cargo entered and cleared in the same three years:—

1853.	1855.	1856.
9,064,000 tons.	9,211,000 tons.	10,971,000 tons.

These simple figures are an eloquent commentary on Gladstone's Budget; for a great financier must be judged by the statistics which ensue upon, as well as those which are enclosed in his Budget. Enlightened Frenchmen were watching Mr. Gladstone with admiration and England with jealousy.* In Nassau Senior's "Conversations" occurs an account of a dinner with the Duc de Broglie in the spring of 1853: "The Broglies," says Senior, "go to Claremont next week, and could only talk English politics. As I have found everywhere the case in Paris, they are astonished at the boldness and comprehensiveness of our Budget." Prince Albert de Broglie was struck by the contrast which Gladstone's Budget presented "not merely to the miserable mixture of fraud and routine" then before the Corps Législatif, but even to the finance of the best times of the monarchy. "We do not form plans which require years of tranquillity for their accomplishment. We do not consider the Budget as a means of civilisation and progress; with us it is merely a machine for getting money to pay the Army, the Navy, the Court, the clergy and the public creditor with as little trouble, and therefore with as little innovation, as possible. If we find that we have a surplus, we increase our establishments; if there is a deficit, we issue *bons de trésor*, or anticipate the receipts of future years."

* No doubt the Budget of 1853 and its marvellous success helped to convert Louis Napoleon to Free Trade, and to bring about the Commercial Treaty of 1860.

From the French negative we get the positive characteristics of the greatest of English financiers. What if, instead of Budgets which postulated peace, compelled retrenchment and inaugurated reform, England in '53 and the early 'sixties had adopted French finance, had used prosperity to enlarge the bureaucracy, and had met adversity by bloating the Debt?

"A constitutional Minister can seldom be much in advance of his age. But if we could have a really philosophical Minister now, if Louis Napoleon could find a Gladstone, and had also sense and courage to employ him, what wonders he might do! With what a swing would France press on to take the first position among civilised nations if the fetters of prohibition were knocked off her limbs!"

So wrote Faucher; and indeed a Gladstone might have saved France and French trade from their relative decline. What struck the Duc de Broglie most was the *success* of Gladstone's propositions. "I have heard you say," he remarked to Nassau Senior, "that a clever, original Budget must turn out a Ministry, since those who are touched scream, and those who are relieved are silent. Here is a Budget which touches everyone, and bears heaviest on those who are most apt to scream, the landed interest, the Irish and the ten-pounders; and yet it seems to pass by acclamation." Rémusat, who replied, seems to have hit upon something like the right explanation:—"What saves it is its comprehensiveness. Everyone is touched, but everyone is relieved. Then the portions of it which are most startling from their novelty are most supported by their justice. . . . The bulk of the English feel that Gladstone is their champion against certain privileged classes. They wonder at his courage, admire his skill and are determined that he shall not be beaten."

CHAPTER X

THE CRIMEAN WAR AND WAR FINANCE

By the time when Gladstone's first great Budget had passed into law, war clouds began to darken the horizon of Eastern Europe. Russian expansion threatened 'the integrity of the Ottoman Empire,' then supposed to be of vital importance to Englishmen; and we entered into an alliance with France, which a little time before had been regarded as our most dangerous enemy. Lord Aberdeen's Cabinet, of which Lord Clarendon was Foreign Secretary, drifted slowly and for the most part reluctantly into the Crimean War. At first, like most wars, this was popular; but it soon lost its glamour, and brought down the Government. That the Sultan, the Czar, the French Emperor and Lord Stratford de Redcliffe, our Ambassador at Constantinople, all helped to bring it about, no student of diplomatic history can doubt, though their individual shares may be legitimate matter of controversy. At the beginning of October 1853 Turkey declared war on Russia. In the Cabinet, Palmerston proposed that England should furnish Turkey with naval assistance. Gladstone argued against it; but eventually the fleet was sent to Constantinople for strictly defensive purposes, a compromise fatal to British neutrality. In truth there were only two courses open—Cobden's policy of non-intervention and neutrality, Palmerston's of armed intervention, and Palmerston prevailed. From unpublished letters to Mrs. Gladstone, I take three extracts which throw light on Gladstone's attitude as a Cabinet Minister to the Crimean War:—

Downing Street, October 7th, 1853.

"As to war I hope we shall not be involved in it, even if

it goes on between R(ussia) and T(urkey), which is not quite certain."

Downing Street, March 28th, 1854.

"War, war, war; that is the excitement and turmoil of the moment, and I fear it will swallow up everything good and useful."

Downing Street, March 29th, 1854.

"To-day at a Council we have been passing the Orders, etc., connected with the War; which has begun: it is no longer the future—this is fearful, but we do not yet know the meaning of the word."

On October 11th, 1853, Gladstone went to Manchester, and on the following day unveiled a statue of Sir Robert Peel, of whom he avowed himself a pupil and follower. In the Town Hall, touching on the Russo-Turkish crisis, he warned his audience against the "glare of glory," which blinds men to the terrible accompaniments of war:—

"When we speak of general war we do not mean real progress on the road of freedom, the real moral and social advancement of man, achieved by force. This may be the intention, but how rarely is it the result, of general war! We mean this—that the face of nature is stained with human gore; we mean that bread is taken out of the mouth of the people; we mean that taxation is increased and industry diminished; we know that it means that burdens unreasonable and untold are entailed on posterity; we know that it means that demoralisation is let loose, that families are broken up, that lusts become unbridled in every country to which that war is extended."

He pointed out that the phrase "independence and integrity," applied to the Ottoman Empire, must not be interpreted as if one were speaking of France or England. The Ottoman Empire was a sovereignty, "full of anomaly, full of misery and full of difficulty." It was also—so he put it—"a political solecism of the Mahomedan faith," exercising what might be called a despotism, but what he would only call a domination, over twelve millions of our fellow-Chris-

tians. This shows how far Gladstone was even then from the fashionable view expressed by Palmerston, when he complained of the Czar's unreasonableness in "refusing to be satisfied, as we all are, with the progressively liberal system of Turkey." Gladstone agreed that we could not allow "an absorption of power" by Russia. He was not in line with Cobden and Bright, who opposed armed intervention on principle; but he urged patience: "The way of peace and negotiation is undoubtedly devoid of that romantic interest which attaches to heroic achievements in war. It is beset and clogged with delays and intrigue and chicane. But if the result is the saving of the effusion of human blood, and the averting that calamity which would disturb the operations of industry and deprive nations of their subsistence, surely the sacrifice is small and surely the reward is adequate."

Before concluding his speech he touched upon another and far more congenial topic. The lips of a Chancellor of the Exchequer were "hermetically sealed," and therefore, even on the question of the paper duty, he had "very little to say"; but his words, though few, gave a sufficiently plain indication of his intentions:—

> "I had the pleasure of seeing in a warehouse yesterday that beautiful manipulation performed which constitutes the process of packing goods for exportation; and it was impossible not to observe in the package, which was put in order before my eyes, that there was a very considerable quantity of paper, perhaps ten pounds or fifteen pounds of paper. That paper is liable to an excise duty of three-halfpence per pound; and it was perfectly obvious to me that three-halfpence per pound laid upon the paper might, so far as the practical operation of the duty is concerned, as well have been laid on the commodities themselves. It has precisely the same operation; and therefore, undoubtedly, the principle which has led Parliament to exempt the great manufactures of the country in themselves from the extremely impolitic and onerous operation of excise duties is perfectly capable of extension,

when the proper time arrives and circumstances permit it (laughter and cheers), to the material in which the staple manufactures are wrapped up."

How much satisfaction this speech and the Budget gave to Liberal stalwarts of the Manchester school may be judged by John Bright's comments in the following spring:—

"When the Chancellor of the Exchequer entered office, doubtless he hoped by great services to his country to build up a reputation such as a man may labour for and live for. Every man in this House, even those most opposed to him, acknowledged the remarkable capacity which he displayed during the last session; and the country has set its seal to this—that his financial measures in the remission and adjustment of taxation were worthy of the approbation of the great body of the people. The right hon. gentleman has been blamed for his speech at Manchester, not for making the speech, but because it differed from the tone of the speech made by the noble Lord [Palmerston] his colleague in office, at Greenock. I observed that difference. There can be no doubt that there has been, and that there is now, a great difference of opinion in the Cabinet on this Eastern question. It could not be otherwise. Our Government has gone on from one step to another. They have drifted—to use the happy expression of Lord Clarendon to describe what is so truly unhappy—they have drifted from a state of peace to a state of war. And to no member of the Government could this state of things be more distressing than to the Chancellor of the Exchequer; for it dashed from him the hopes he entertained that session after session, as trade extended and the public revenue increased, he would find himself the beneficent dispenser of blessings to the poor, and, indeed, to all classes of people of this kingdom."

In November Turkey began the war, and at the end of the month the Turkish fleet was destroyed at Sinope. The British fleet was sent to the Black Sea, and the peace party in the Cabinet gradually weakened. At last an ultimatum demanding the evacuation of the Danubian Principalities

was despatched to St. Petersburg, and at the end of March 1854 war was declared on Russia. Next came the Allied expedition to the Crimea, the Battle of the Alma, and the sufferings of our troops during the winter owing to mismanagement by the War Office and to lack of necessaries, comforts and hospital requirements. As the truth leaked out, the 'Cabinet of All the Talents' fell into disrepute. A motion for inquiry into the condition of the Army before Sebastopol was carried; Aberdeen resigned; Derby failed to form a Government, and Palmerston was then sent for. He asked Gladstone to return to the Exchequer, and Gladstone accepted, but resigned after only a few days of office on February 21st, 1855, on finding that Palmerston could not resist the demand for a Select Committee of Inquiry, which he thought would "lead to nothing but confusion and disturbance." Gladstone's successor was Sir George Cornewall Lewis.

Before the declaration of war (on March 6th, 1854) Gladstone introduced his second Budget, having already in the previous month brought forward a measure which reformed the public accounts by bringing the whole of the gross revenue into the Exchequer, and also by various improvements in the revenue departments and the Consolidated Fund. It was still uncertain what the war would cost. An expeditionary force was already being prepared, and the Budget provided for an estimated deficiency of £2,840,000. To meet this he did not propose any addition to indirect taxes. He would not retrace the steps taken in the previous year, nor would he ask the House to sanction a loan. That was neither required by the necessities of the country nor worthy of its character. So far as possible, they should meet the expenses of the war by taxation, and not by the creation of debt. He therefore turned to the income tax, originally devised by Pitt as a war tax, and proposed that it should be doubled for the first half of the year. This, he calculated, would convert the deficit into a surplus of nearly

half a million. He supported his resort to income tax rather than loan by a strong appeal to moral and religious considerations:—

> "The expenses of the war are the moral check which it has pleased the Almighty to impose upon the ambition and lust of conquest that are inherent in so many nations. There is pomp and circumstance, there is glory and excitement about war, which, notwithstanding the miseries it entails, invests it with charms in the eyes of the community, and tends to blind men to those evils to a fearful and dangerous degree. The necessity of meeting from year to year the expenditure which it entails is a salutary and wholesome check, making them feel what they are about, and making them measure the cost of the benefit upon which they may calculate. It is by these means that they may be led and brought to address themselves to a war policy as rational and intelligent beings, and may be induced to keep their eyes well fixed both upon the necessity of the war into which they are about to enter, and their determination of availing themselves of the first and earliest prospects of concluding an honourable peace."

Northcote thinks that this line of argument, however sound and just, would have come better from an independent member resisting a Government which proposed to carry on a questionable war by means of loans. It was an unfortunate moment, he remarks, to proclaim a policy of so adjusting war burdens as to impose a moral check upon the ardour of the people. Moreover, only a few weeks later, when affairs became more serious, Gladstone himself was compelled to borrow on Exchequer Bonds in anticipation of taxes. But he showed no lack of courage or promptitude in meeting the growing demands of the war; for on May 8th he produced another Budget, providing for a continuance of the income tax at the doubled rate of 1*s.* 2*d.* in the pound until the close of the war. Moreover, by adding to the duties on spirits, sugar and malt, he raised enough new revenue (£6,850,000) to cover the enlarged estimates of expenditure and leave his

original surplus undisturbed. The Exchequer Bonds were issued to yield a little over 3½ per cent., the yield of Consols at that time being £3 7*s*. 6*d*. per cent.

On the general question whether the cost of the war should be defrayed by taxes or by loans, there is no doubt whatever in the mind of the present writer that Gladstone was, from the standpoint of political economy as well as of political morality, wholly right. He had already in the previous year adopted the argument set out by Sir Henry Parnell in his able work on financial reform (p. 272), that if Pitt had introduced the income tax at the beginning of the wars with France, they might have been carried on to the end without any addition being made to the National Debt. Undoubtedly the South African War might have been financed without any real hardship to the nation by additions to direct and indirect taxation; and I endeavoured to show at the time in the *Economist*, and later in a book on War Budgets, that even the Great War could and should have been financed, especially in its early stages, to a much larger extent than it was, by drastic additions to taxation. As it was, great fortunes were accumulated by thousands of individuals, and enormously high wages earned in the factories, while the future of the country was being mortgaged by borrowing on an unnecessary scale.

In criticising Gladstone's Budget, Northcote inclines to agree with Newmarch and Cornewall Lewis that it is better in time of war to incur debt than to overload industry and commerce with "an inordinate weight of taxation." As he puts it, ingeniously enough, "there are certain conditions of national existence under which it is less injurious to part with capital than with earnings. When the capital of a country is accumulating with great rapidity, a certain part of it is annually lost in unwise speculations; and this part at all events may be safely drawn upon for Government loans." But the fact that in war large profits are being capitalised is no argument against taxing them, but rather the

reverse. Far better to take the war profits by appropriate taxation than to allow the war profiteers to invest their money in Government loans at high rates of interest.

As a matter of fact, Gladstone, as he reminded Northcote afterwards, did not lay down a general maxim that all war supplies ought to be paid for by taxes. In his speech of May 8th, he declared that it was the duty and policy of the country to make in the first instance a great effort from its own resources. But he did use very strong language on the subject, as, for example, in these sentences quoted by Morley: "The system of raising funds necessary for wars by loan practises wholesale, systematic and continual deception upon the people. The people do not really know what they are doing. The consequences are adjourned into a far future." In a letter to Northcote written in 1862, referring to Northcote's observations on the finance of the Crimean War in his "Twenty Years of Financial Policy," he says:—

> "I think in your comparison of the effect of taxes and loans, you have looked (p. 262) too much to the effect on labour at the moment. Capital and labour are in permanent competition for the division of the fruits of production. When in years of war, say, 20 millions annually are provided by loan, say, for three, five or ten years, then two consequences follow:—
>
> "1. An immense factitious stimulus is given to labour at the time—and thus much more labour is brought into the market.
>
> "2. When that stimulus is withdrawn an augmented quantity of labour is left to compete in the market with a greatly diminished quantity of capital.
>
> "Here is the story of the *misery* of great masses of the English people after 1815, or at the least a material part of that story.
>
> "I hold by the doctrine that war loans are in many ways a great evil; but I admit their necessity, and in fact the Budget of 1855 was handed over by me to Sir George Lewis, and underwent in his hands little alteration unless such as, with the growing demands of the war, I should

myself have had to make in it, *i.e.* some, not very considerable, enlargement."

In a second letter to Northcote on the same subject, also quoted by Morley, Gladstone supported his opinions by adverting to the interests of the working classes:—

"The general question of loans *v.* taxes for war purposes is one of the utmost interest, but one that I have never seen worked out in print. But assuming as *data* the established principles of our financial system, and by no means denying the necessity of loans, I have not the least doubt that it is for the interest of labour, as opposed to capital, that as large a share as possible of war expenditure should be defrayed from taxes. When war breaks out, the wages of labour on the whole have a tendency to rise, and the labour of the country is well able to bear some augmentation of taxes. The sums added to the public expenditure are likely at the outset, and for some time, to be larger than the sums withdrawn from commerce. When war ends, on the contrary, a great mass of persons are dismissed from public employment, and, flooding the labour market, reduce the rate of wages. But again, when war comes, it is quite certain that a large share of the war taxes will be laid upon property: and that, in war, property will bear a larger share of our total taxation than in peace. From this it seems to follow at once that, up to the point at which endurance is practicable, payment by war taxes rather than by taxes in peace is for the interests of the people at large."

Later experience seems fully to justify all that Gladstone said about the political economy of war, and all that he did as Chancellor of the Exchequer in financing the Crimean War to exact the utmost possible contribution from taxpayers. When laid side by side with the Gladstonian argument and the Gladstonian policy, justified as they have been by bitter experience, we feel that Northcote's adverse criticisms are shallow and unconvincing.

But for the fall of the Aberdeen Ministry and the appointment of the Sebastopol Committee, Mr. Gladstone would

have introduced another war Budget in 1855. As it was, the Budget was brought forward by Sir George Cornewall Lewis on April 20th, 1855, and a loan of 16 millions was issued at the rate of £3 8*s.* 6*d.* per cent. to provide for the growing expenses of the war. These in the preceding financial year had exceeded Gladstone's estimates by over 2½ millions, which meant that the expenditure of the country in the first year of the war had exceeded the revenue from taxation by a little over 6 millions—not a bad result from the standpoint of those who hold with Gladstone that war should, as far as possible, be paid for at the time out of taxation. Lewis reckoned on a deficit of 23 millions. To meet it he proposed to add another twopence to the income tax, and at the same time raised the duties on sugar, tea and coffee. In this way, says Northcote, he raised the tax revenue to over 68 millions, "a sum largely in excess of any that had ever before been so levied; for, although the nominal revenue from taxation in 1815 was 72 millions, a deduction of nearly 13½ per cent. must be made from that amount on account of the depreciation of the paper currency in which it was paid." By way of proving the power of the country to bear increased taxation, the new Chancellor of the Exchequer drew attention to the enormous increase in the import and export trade of the country between the end of the French wars and the commencement of the war with Russia.

In the debates on Cornewall Lewis' Budget, Gladstone, Disraeli, Ricardo and others opposed, but unsuccessfully, a clause in the loan providing for its gradual extinction by means of a sinking fund, and also a proposal to guarantee jointly with the French Government a Turkish loan of 5 millions at 4 per cent. After a warm debate the guarantee was only carried by a majority of three, though the opposition to it was represented as an attempt by the peace party to hamper the prosecution of the war. By the end of the financial year, the cost of the war had exceeded anticipations, and this, with a deficiency of revenue, made more borrow-

ings necessary. But by the time the Budget of 1856 was introduced (on May 19th), peace had been signed, and Sir George Lewis was able to measure the whole cost of the war, estimating it at about 77½ millions, of which about 33½ millions had already been added to the unfunded debt. In the debates on the Budget, Gladstone expressed his regret that the Government had done so little in the way of reducing estimates, and concurred with Disraeli in the view that the House of Commons ought not to support unduly large establishments in time of peace, but rather to follow the wise economy of former years, and in any case not to "set the pestilent example of abolishing taxes and meeting the expenditure of the country with borrowed money."

Curiously enough, one of Gladstone's most striking reflections on the political economy of war sprang from the perusal of a famous poem by his friend Tennyson. When "In Memoriam" appeared, Mr. Gladstone had written a review which Tennyson "thought one of the ablest." * But "Maud," which was published in 1855, spoke of "a hope for the world in the coming wars," and Gladstone's indignation was increased when he read that—

> "The long, long canker of peace is over and done;
> And now, by the side of the Black and the Baltic deep,
> And dreadful grinning mouths of the fortress, flames
> The blood-red blossom of war with a heart of fire."

"It may be good frenzy," says the critic, "but we doubt its being good poetry." It was uncalled for. "We do not recollect that 1855 was a season of serious danger from a mania for peace and its pursuits." One passage criticises "Maud" as if the poem had been one of Roebuck's or Palmerston's speeches:—

> "But what is a little strange is, that war should be recommended as a specific for the particular evil of Mammon-worship. Such it never was, even in the days when the Greek heroes longed for the booty of Troy, and anticipated lying by the wives of its princes and its citizens.

* Tennyson's "Life," by Hallam, Lord Tennyson, Vol. I, p. 299. Cf. Gladstone's "Gleanings," Vol. II., pp. 136–137.

"Still it had, in times now gone by, ennobling elements and tendencies of the less sordid kind. But one inevitable characteristic of modern war is, that it is associated throughout, in all its particulars, with a vast and most irregular formation of commercial enterprise. There is no incentive to Mammon-worship so remarkable as that which it affords. The political economy of war is now one of its most commanding aspects. Every farthing, with the smallest exceptions conceivable, of the scores or hundreds of millions which a war may cost, goes directly, and very violently, to stimulate production, though it is intended ultimately for waste or for destruction. Even apart from the fact that war suspends, *ipso facto*, every rule of public thrift, and tends to sap honesty itself in the use of the public treasure for which it makes such unbounded calls, it therefore is the greatest feeder of that lust of gold which we are told is the essence of commerce, though we had hoped it was only its occasional besetting sin. It is, however, more than this; for the regular commerce of peace is tameness itself compared with the gambling spirit which war, through the rapid shiftings and high prices which it brings, always introduces into trade. In its moral operations it more resembles, perhaps, the finding of a new gold-field than anything else. Meantime, as the most wicked mothers do not kill their offspring from a taste for the practice in the abstract, but under the pressure of want, and as war always brings home want to a larger circle of the people than feel it in peace, we ask the hero of 'Maud' to let us know whether war is more likely to reduce or to multiply the horrors which he denounces? Will more babies be poisoned amidst comparative ease and plenty, or when, as before the fall of Napoleon, provisions were twice as dear as they now are, and wages not much more than half as high?" *

Some rope must be allowed to poetic emotion in wartime; but we cannot regret this useful homily of a critic who understood so much better than the poet what war really means and what war really does.

* "On Tennyson," *Quarterly Review*, 1859; "Gleanings," Vol. II., pp. 144–145.

CHAPTER XI

POST-WAR FINANCE AND POLICY, 1856–1859

SEBASTOPOL fell in September 1855, but the war dragged on aimlessly for months longer, until at last, on March 30th, 1856, peace with Russia was signed by Turkey and her Allies—Great Britain, France and Sardinia.

With the advent of peace, domestic controversies returned; new possible alignments of parties came into discussion; and various combinations were mooted with a view to unsaddling Palmerston, whose political supremacy was equally disliked by Cobdenites, by Peelites, and by the old Tory Party under Derby and Disraeli. Never were politics more obscure than in the three following years, and never was Gladstone less certain about his own position. The classical description of himself and his brother Peelites as "roving icebergs," inhospitable and dangerous, with which it was easy to collide and difficult to associate, gives no inaccurate picture of his part in the confusion. "I believe," he said in one of the debates, "that the day for this country will be a happy day when Party combinations shall be restored."

In January of the following year (1857), Stafford Northcote mentioned in a letter that his old chief was "very angry with Lord Palmerston," and that his principal political object was to turn out the Government. The Budget seemed to offer an opportunity; for, in the debate on the Address opening the session of 1857, Gladstone, Disraeli and Lord John Russell concurred on the desirability of reducing the Army and Navy establishments to a peace level. Disraeli declared his intention of moving resolutions against the continuance of war taxation in time of peace, and in favour of adhering to the arrangements of 1853 for the ultimate extinction of the

income tax. "I cannot but believe," he said, "that if these resolutions are carried, we shall witness some beneficial changes in the financial system of this country. I think we shall give a great impetus to salutary economy, and shall in a most significant manner express our opinion that it is not advisable that England should become what is called a great military nation." The country, as Gladstone put it (February 3rd, 1857), while perfectly reckless with regard to its expenditure, was jealous with respect to taxation. Associations were formed to get rid of the 'War Ninepence,' and Lord John Russell urged the Government to anticipate Disraeli and Gladstone by withdrawing the estimates and proposing reduced ones. Russell reminded the House of Commons that it was English practice and tradition to maintain low establishments in time of peace. That policy had given them a surplus revenue:—

> "We have thus been enabled . . . to reduce taxes and abolish Customs' duties which pressed upon the energies and checked the industry of the people; we have enabled our population to grow rich; and we have seen in the last war what that wealth was able to effect; for when our enemy was exhausted, and our ally was so far weakened in its finances that its war spirit flagged, the Government of this country found that, owing to our wealth, we had more than sufficient to pay for the large expenditure of the war; and the spirit of our people, if terms of peace had not been accepted, was such that for five, six or ten years longer, if necessary, we might have made the exertions necessary for war. Now these are the things which produce good terminations of wars, and not large and expensive establishments, with generals and admirals growing so old that they are unfit for their duties when war comes. It is by moderate establishments, by rendering such establishments good and efficient, by attending to everything which cannot be easily originated or replaced—it is by such a system, and by relying on the greatness of the country and on the spirit of our people, that you will be most formidable in war, and not by any new-fangled system of increased estimates during a time of peace."

Gladstone held that the income tax was an admirable instrument for a great and adequate emergency, but a dangerous one to retain in time of peace. What really governed the whole question of the income tax was, however, the question of expenditure, and the House of Commons could not efficiently discharge its duties by looking only at taxation. He went on:—

> "I feel it my bounden duty first to lay hold of the proposed expenditure; and it is my conviction that, if it be the opinion of the Government that it is necessary to maintain a military establishment upon a scale at all approaching to that which I have named, we must grapple with the estimates, not by nibbling at them here and there, but by a general motion, taking the sense of the House upon the expediency of saddling the country with such a charge."

In the Budget which he brought forward on February 13th, Sir George Cornewall Lewis estimated his expenditure at £65,474,000 and his revenue at £66,365,000. He took the wind out of the sails of his critics by reducing the rate of income tax to 7*d.* in the pound, and at the same time making a moderate reduction of the war taxes on tea and sugar. He had observed, as he caustically remarked—agreeing in this with Gladstone—"a desire generally both in the country and in this House to increase the expenditure and yet to diminish taxation." He did not think that the direct taxes were unduly heavy in comparison with the indirect taxes; for, including stamps in the first category, they yielded only a little over 20 millions against a little less than 40 millions yielded by Customs and Excise. But on the general issue Lewis advanced a proposition which brought him into sharp conflict with his predecessor, by quoting with approval a dictum of Arthur Young, no speculative theorist, but "a practical man," and one particularly conversant with agricultural economy. Arthur Young had said: "The mere circumstance of taxes being very numerous in order to raise a given sum

is a considerable step towards equality in the burden falling on the people. If I were to define a good system of taxation, it should be that of bearing lightly on an infinite number of points, heavily on none."

That opinion, added the Chancellor, "though contrary to much that we hear at the present day, seems to me to be full of practical wisdom, and to be a most useful practical guide in the arrangement of a system of taxation." Lewis also pointed out that more than half the extraordinary expenditure on the Crimean War was defrayed from taxation. Under the arrangement he proposed, the remaining portion, which had been raised by loans, would be extinguished in about twenty years. He contrasted the proportion of War Debt to War Expenditure shown by the finance of the Crimean War with that of the Napoleonic Wars. "If our ancestors had treated us as well as we are, I hope, about to treat posterity, we should not, at the present time, be loaded with the burden of a debt of 800 millions."

Gladstone's attack on the Budget came a week later, when Disraeli brought forward his resolution against the scale of expenditure. Lewis resisted the resolution in a well-argued and moderate statement, which hinted at further reductions, without promising them. But Gladstone refused to be mollified. We were engaged in two wars—one in Persia, the other in China—and there was no provision in the Budget for meeting the expenses of either. But his main attack was directed against the Chancellor's refusal to contemplate any remission or reduction of the paper duties, and, above all, for the argument against simplification. He had disinterred old Arthur Young to prove that a multitude of small duties is a perfection of finance. "That, however, is a total condemnation of the principle by which Parliament has been governed during the last fifteen years." The income tax, if it was to be continued in peace, should have been used for the purpose of improving our financial system, and of relieving the mass of the people, as it had been used in 1832, in

1845 and in 1853. Lewis' refusal to lower the taxes on paper —a heavy burden on literature and on manufactures—or the duties on wine, "the greatest impediment to an enlarged intercourse with France," was a glaring sign of reaction from the principle they thought had been established.

Moreover, the Budget was based on excessive expenditure. He pressed for a revision of the estimates, and subscribed to Disraeli's view that reductions in armaments would be compatible with efficiency. Since the war, a change had passed over the temper of the Government, of the departments, of the House of Commons and of the country. During war, and after it, a speculative philosopher might expect to find that special economy would be exercised in all the branches of state service:—

> "But the case is practically just the reverse. You contract a habit of extravagance. Wars, of necessity, mean reckless expenditure, useless, and worse than useless expense; and even if there were an attempt to control it, nothing worth naming could be done. But the civil expenditure of the State and the temper of the House of Commons are infected with this habit of extravagance, and see what is the result. The expenditure of the country did not increase from 1842 to 1853. From 1842 to 1853 you discharged your duty—your first duty—as stewards of the money of the people of England, by giving them an account which showed that, notwithstanding the growth of population, the extension of trade and the creation of a multitude of new public services, they were yet served at no greater cost than was thrown upon them ten years before. What is the case now? Why, the estimates of 1856–1857, as compared with the expenditure of 1853, show an augmentation of £7,000,000. In twelve years you had a growth of £234,000. In four years you have a growth of 7 millions."

This attempt to defeat the Budget failed. Lord John Russell and Cardwell preferred a careful scrutiny of the estimates in committee to a general resolution. Milner Gibson supported Disraeli and Gladstone. Minute criticisms in the

Commons would produce only minute results. They might knock off a few shillings or pounds here and there. They might reduce the salary of a chaplain in the Bahamas. "But if the House was in earnest, if it wanted a practical result, it must take its stand at once. During his experience in Parliament, he had never known a successful effort to bring about a reduction of expenditure in any other way than by leaving to the Government the responsibility of proposing the reductions, by informing them generally that the scale of expenditure and taxation which they proposed did not meet the approval of Parliament." This was sound common sense based on the precedents and experience of 1816 and 1848; but with wars proceeding in the Far East, the moment was felt to be unpropitious, and Disraeli's resolution was rejected by a majority of eighty.

Within a few days, however, a crisis arose out of the affair of the *Lorcha Arrow*—a Chinese vessel trading falsely under the British flag, which the Chinese authorities took into custody at Canton on a charge of piracy. Sir John Bowring, our Minister at Hong Kong, demanded an apology, and, failing to get it, ordered the British Admiral to open hostilities. It was a commercial move to gain access for British merchants to Canton. The city was shelled and captured. When these monstrous proceedings became known at the end of February, Derby in the Lords and Cobden in the Commons moved votes of censure on Palmerston's Government. In the Commons, the peace party of Liberals and Radicals was supported by Tories and Peelites. One of the finest speeches was Gladstone's. Palmerston was beaten by sixteen votes; but instead of resigning, he appealed to the country, in the well-founded anticipation that support of a British citizen, masquerading as a Chinese pirate, would be popular, as it had been in the case of Don Pacifico. At the General Election, Palmerston won all along the line. Cobdenites and Peelites were almost extinguished. Gladstone held Oxford University, but Cardwell was defeated for Ox-

ford city, Bright at Manchester and Cobden at Huddersfield. Milner-Gibson and many of the lesser men who had voted against the Government lost their seats.

For a time after this blow, Palmerston's critics, disheartened and discomfited, remained quiescent. In July Gladstone fought hard, but in vain, against a Divorce Bill, and in August he argued against the purchase of shares in a Euphrates Railway Company. If they shared in the construction of a line through the Turkish Empire, they would become responsible for the mismanagement of the line or the misgovernment of the country through which it passed. Moreover, if they intermeddled either in that project, or in the rival project of the Suez Canal, there would be complications with France, and dangers to that concert or concord of Europe, which it was of paramount importance to maintain as a rule of our Eastern policy.

Another rule, "perhaps the most essential of all, is not to give a handle to other nations for alleging that we are setting an example of interference with their Government and domestic affairs." On the other hand, we must not look with jealousy upon such a scheme as that of the Suez Canal; for "no man could look at the map of the globe and deny that a canal through the Isthmus of Suez, if practicable, would be a great stroke for the benefit of mankind." That being so, "let us not create in Europe an opinion that the possession of India by Great Britain is something to be upheld by opposition to measures that are beneficial to the general interests of Europe; let us not create that fatal antithesis and contradiction, because it would do more to weaken our hold upon Hindostan than ten such mutinies as that which has just occurred." Gladstone had now laid down three rules of Eastern policy:—

1. Preserve European concord or concert.
2. Do not intermeddle in the domestic government of the Ottoman Empire.

3. Do not make the safety of India a pretext for resisting measures of general benefit.

But to these three a fourth must be added, "of not less importance." It was "that where England has an influence to exercise on the affairs of the East, she should not repose her entire, or even her principal, confidence on armed intervention to prevent the aggressions of Russia on Turkey, but should endeavour to raise up such living barriers as might effectually interpose between Constantinople and the Russian Empire."

Here we have a clear proof that Gladstone was turning his back on the old plan of defending Turkey in which he had reluctantly acquiesced four years previously. He was much disturbed by the delay which had occurred in the settlement of the Danubian Principalities. The political freedom which they had vindicated "amid surrounding slavery" was still imperfect. But it was there if anywhere that "we might hope to see Christian institutions and Christian liberty setting an example" to adjoining but even less favoured regions.*

In this year, 1857, the horrors of the Indian Mutiny were at their height. To Gladstone it appeared to be a great administrative failure, which should teach us, as a Christian nation, a lesson of humility. Meanwhile Palmerston's popularity was again waning, and he was losing hold on the new House of Commons. Early in 1858 his Government fell on a Conspiracy to Murder Bill, following Orsini's attempt to assassinate the French Emperor. This time Palmerston resigned, and Derby formed a weak Administration, with Disraeli as Chancellor of the Exchequer and Leader of the House of Commons. They received a good deal of independent support from Gladstone during the session. But he refused to join the Government, and one of his speeches showed a development of view which at that time was associated with Radicalism. The occasion was a Metro-

* Hansard, August 14th, 1857.

politan Act to raise money for purifying the Thames, and Gladstone urged that the ground landlords, having a permanent interest in improvements, should be made to bear a fair proportion of the charge. He also argued that in the Metropolis taxation and representation should go together. The Metropolitan Board of Works, as the central body which spent the ratepayers' money on general purposes, instead of being co-opted by the vestries, should be popularly elected, so that its responsibility to the ratepayers might be direct and stringent.

In the autumn of that year he was invited to proceed to the Ionian Islands as High Commissioner Extraordinary to examine the question whether the islands, then under British administration, ought to be united politically, as they already were by race and language, to the Kingdom of Greece. Gladstone accepted the mission; and this romantic adventure lasted from November to February, when he returned to find the Government declining to its fall. It was defeated on a Bill for extending the county franchise, on a resolution moved by Lord John Russell—the fifth Government which Lord John had upset.

A few days later, Derby announced that he would dissolve Parliament and appeal to the country. Gladstone was again returned for Oxford, and when the new Parliament met, it was estimated that the Liberals were in a majority of over forty. In June, after some delay, Lord Palmerston undertook to form an Administration, which the leading Peelites were persuaded to join. It was a strong Government, with Lord John Russell as Foreign Secretary, Gladstone as Chancellor of the Exchequer, Lewis as Home Secretary, and Sidney Herbert as War Secretary. Palmerston invited Cobden to take the Presidency of the Board of Trade, and on his refusal, offered it to Milner-Gibson—another Liberal of the Manchester School—who accepted the appointment, and proved a useful ally to Gladstone in the great financial reforms on which he was now to embark.

CHAPTER XII

THE COMMERCIAL TREATY WITH FRANCE AND THE BUDGET OF 1860

WE have arrived now at the most important period in the history of Mr. Gladstone's work as director of the national finances. In the 'forties he laboured for four consecutive years on the reform of our fiscal system, under Sir Robert Peel. In 1853 he recommenced the task left unfinished by Peel in the marvellous Budget of 1853. But his work was interrupted and his designs for a time were frustrated by the Crimean War. The captain left the ship, and when he rejoined it in 1859 the level of expenditure had risen so high that his project of repealing the income tax had to be again postponed, in order to carry out another series of great reforms which were to complete the emancipation of our commerce and manufactures, releasing the springs of enterprise and industry, and thereby promoting a marvellous expansion alike of trade and revenue. This time it was his good fortune to pursue his work at the Exchequer uninterruptedly for six successive years, though his policies were at first often opposed and sometimes thwarted by the Prime Minister.

In this chapter I shall be mainly concerned with the great Budget of 1860 and the Cobden Commercial Treaty. In the next chapters I shall survey the succeeding Budgets and describe his long battle for economy, sustained at first against heavy odds, which enabled him to make unparalleled remissions of indirect and afterwards of direct taxation without impairing the efficiency of the public services. These achievements have been nobly commemorated in Morley's "Life" in

passages which I cannot presume to rival. But a more complete and detailed exposition is required if we are to gain a full understanding of the benefits which Gladstonian finance conferred upon the country.

The General Elections in the spring of 1859 left the old Tory party under Derby and Disraeli in a minority of between forty and fifty; and Palmerston had to depend on a mixed majority of Liberals, Whigs, Peelites and Radicals of the Manchester School. In his long and heroic efforts for economy, Gladstone at first had not much support in the Cabinet; but he had a useful ally in Milner-Gibson, and outside the Cabinet he could count not only on Cobden and Bright, but also, at one vital moment, on Disraeli. In the summer of 1859 Napoleon III, our ally in the Crimean War, had become the bogey of patriotic alarmists. After his triumphant defeat of Austria and the annexation of Savoy and Nice, he was credited with designs on England, and there were many statesmen and politicians, from Lord Palmerston downwards, who persuaded themselves very readily that a French invasion was a contingency to be guarded against by military and naval preparations of all kinds, including a costly scheme for fortifying our southern coast with Martello towers. A description of the excitement may be read in Cobden's "Three Panics." At a critical moment (July 21st, 1859) Disraeli, as leader of the Opposition, instead of countenancing the popular agitation against France, declared that Napoleon ought to be conciliated. "Go to your great ally, the Emperor of the French," he said, and ask him "to join you in a spirit of reciprocal confidence . . . and thus achieve conquests far more valuable than Lombardy." Every cottage and cabin in England and France ought to be assured that the "disastrous system of rival armaments" would be put an end to, and that "peace is really our policy." The Chancellor of the Exchequer might then look without apprehension to his next Budget, and "England might actually witness the termination of the

income tax." In reply, Gladstone had something to say about the policy of his predecessor. It was far from likely that the income tax would be abolished; the difficulties in the financial condition of the country were "constantly increasing." A colleague of Lord Palmerston's could not speak his mind upon the growth of military expenditure; but the increase of civil expenditure offered an equally congenial topic. This increase had been described as natural, legitimate, normal and proportioned to the growing wealth and population of the country. Gladstone could not assent:—

> "It is perfectly true that there is a great expansion of social wants and of social demands, which entail increasing calls upon the public purse; but it is also true that up to the year 1853—the last year before the Russian War—you had that same expansion of wants and demands going on. Up to that period, however, you had practically, by your wise thrift and economy, been able to meet those wants and demands. . . . But what has been the state of things since 1853? It is useless to blink the fact that not merely within the circle of the public departments, but throughout the country at large, and within the precincts of this House—the guardian of the purse of the people—the spirit of public economy has been relaxed; charges upon the public funds of every kind have been admitted from time to time upon slight examination; every man's petition and prayer for this or that expenditure has been conceded with a facility which I do not hesitate to say you have only to continue for some five or ten years longer in order to bring the finances of the country into a state of absolute confusion, and to drive this House to the alternative either of imposing permanently the severest taxes at their highest standard upon the people, or of purchasing an ignominious repose by the practice of annually borrowing to meet your expenditure."

In these words we have the keynote of Gladstone's later financial policy. It was a long series of gallant efforts to restore the credit of Burke's favourite maxim, *Magnum vectigal est parsimonia*. He strove, against the wishes of most

of his colleagues, to recall the House of Commons and the country to the temper and spirit which ruled public expenditure in the period between the Reform Bill and the Russian War. His labours were rewarded gradually with a large measure of success, and he was only beaten (by his own Cabinet) in the last year of his public life. But he had a hard time at first. After three years at the Exchequer he opened his mind to a public audience at Manchester (April 4th, 1862) upon the disagreeable experiences of this, his second tenure, of the Chancellorship:—

> "It is never a very popular office. . . . A very large part of his time is, even under the happiest circumstances, spent in saying to those who demand public expenditure 'No, no, no!' When I first held that office I found the function not altogether agreeable, but still practicable. During the second time I held it I found at once that all the powers of resistance and negation, so to speak, were taxed infinitely more, and that the results were infinitely less. The time of great expenditure is the time when the Chancellor of the Exchequer is not in a paradise."

He had little time to prepare the first of his Budgets, which he brought forward in July 1859. The Chinese War, which culminated in the disaster at the mouth of the Peiho in June 1859, had proved an expensive luxury. "Our predecessors," said Gladstone, referring back to this period a few years later, "in the exercise of their diplomatic wisdom, had to instruct our ambassador to sign a treaty with China, and it appeared to them that the signing of a treaty was an operation which could not possibly be satisfactorily performed without a large fleet." Consequently there was an estimated deficiency of nearly 5 millions to be provided. Gladstone, true to his own principles, refused to resort to a loan or to increase indirect taxation. In spite of opposition, he demanded and obtained an increase of the income tax from 5*d.* to 9*d.* in the pound, all to be collected in the first half of the year, thus converting the deficit into a surplus, which,

though only estimated at a quarter of a million, resulted in a real surplus of a million and a half, and made possible—for a Gladstone—the marvellous Budget of 1860.

This provisional Budget of 1859 was well received, but the situation was grave. A war had broken out in China and—what was much more formidable—the French alarm was growing. In the words of a later memorandum by Gladstone, the susceptibilities of England were violently aroused by the annexation of Savoy, and still more by the annexation of Nice, for which it was "difficult to find a word of apology." Even Lord John Russell used imprudent language about looking for other allies. "A French panic prevailed as strong as any of the other panics which have done so much discredit to this country." The country was saved by a singular stroke of good fortune recorded in a letter from Hawarden of September 12th. "Cobden came early. . . . I have had a walk and long talk with Cobden." In another letter to Lord Acton he says of this visit from Cobden: "He proposed to me in a garden stroll the French treaty; and I for myself and my share adopted it (nor have I ever for a moment repented or had a doubt) as rapidly as the tender of office two months before." Morley says of this garden walk and its consequences: "Cobden, the ardent, hopeful sower, scattered the good seed into rich ground. The idea of a commercial treaty with France was in the air. Bright had opened it, Chevalier had followed it up, Persigny agreed, Cobden made an opportunity, and Gladstone seized it." Cobden offered to make informal inquiries in Paris. Gladstone persuaded Palmerston and Russell to allow him to communicate with the Emperor, who "had played with the idea of a more open trade for five or six years." The design was to open the way for a great reciprocal measure of fiscal reform in both France and England, and thereby to lay the panic and produce a solid pacification. In truth, as Gladstone afterwards put it, a treaty of commerce with France was the only sure sedative. "It was in fact a counter-irritant; and it aroused the sense

of commercial interest to counteract the war passion. It was, and is, my opinion that the choice lay between the Cobden treaty and not the certainty, but the high probability of a war with France."

Among Gladstone's letters to Mrs. Gladstone there is one, dated 11, Downing Street, January 11th, 1860, concerned with the commercial negotiations in Paris:—

> "I find myself at this very moment so in the thick of negotiations of the French treaty that I cannot go [to Hagley] without a clear sacrifice of public duty. For the measure is of immense importance and no less nicety, and here all depends on me. Ld. J.* backs me most cordially and well, but it is no small thing to get a Cabinet to give up 1½ or 2 millions of revenue at a time when all the public provision is for enormous expenditure and in a case beset with great difficulties. In fact, the majority of the Cabinet is indifferent or averse, but they have behaved very well."

Out of the French treaty, which was signed in January, grew the whole financial scheme of 1860, a scheme at least as comprehensive and bold as that of 1853. At the end of January Gladstone wrote: "I have opened the fundamental parts of my Budget in the Cabinet, and I could not have hoped a better reception." This was to his wife. At the same time he wrote to Cobden: "Criticism is busy; but the only thing really formidable is the unavowed but strong conflict with that passionate expectation of war, which no more bears disappointment than if it were hope or love."

At the beginning of February the Budget was ready; but Mr. Gladstone was laid up with a cold. There was a delay of two days. When would the great performer be in voice? Great was the suspense. "What Sir Robert Peel's holiday tour was in October 1834, Mr. Gladstone's cold was in February 1860." But the suspense was barely hopeful. What could he make of an estimated deficiency of £9,400,000? How could a tolerable Budget be manufactured out of

* Lord John Russell, then Foreign Secretary.

materials so intolerable? It was well understood that Mr. Gladstone would have to renew the income tax at a figure which would require "all the gilding" of his "most oleaginous oratory" to make it slip down unquestioned. And this for the sake of admitting light French wines at reduced duties!

> "Country squires, professional men of all classes who cannot distinguish vintages and do not know a Latour 1847, or Lafitte 1844, from a St. Emilion 1859, silk weavers who think of Lyons as their natural enemy, and English clockmakers who speak with dread of Paris clocks, require a very finished effort of oratory to accommodate themselves to the necessity of paying ninepence in the pound for a change which at first view does not strike them as being worth the money."*

But all these murmurs were dispelled by the voice of the magician. "At the end of two days' delay," writes Greville, "he came forth, and *consensu omnium* achieved one of the greatest triumphs that the House of Commons ever witnessed."

If the Financial Statement of 1860 hardly equals that of 1853 as a composition, owing perhaps to its lack of unity and of a central theme like the income tax, it is even more interesting than its predecessor in an age when the tariff question divides parties, and diplomacy is largely occupied with commercial bargaining. There is, indeed, a broad similarity between the two Budgets; for both were based upon a continuance of the income tax at what then seemed a high rate; and in both cases Gladstone's object was to remove the protective and differential duties that still interfered with complete freedom of trade. In this respect the Budget of 1860 practically completed the work begun by Peel in the 'forties and carried forward by Gladstone himself in 1853. But the distinguishing mark of the 1860 Budget was the French treaty, negotiated by Richard Cobden with the French Emperor Napoleon III—a treaty so skilfully wrapped

* *Times*, Monday, February 6th, 1860.

up in the Budget that it could not be rejected without upsetting the whole financial scheme of the year.

"Public expectation," said Gladstone, in opening his Budget on February 10th, before the accounts of the financial year were closed, "has long marked out the year 1860 as an important epoch in British finance." In the first place, a large reduction in the interest on the National Debt was falling due. Secondly, a revenue of twelve millions from the tea and sugar duties and of over nine millions from the income tax was about to lapse, unless those taxes were renewed by Parliament. Lastly, and above all, there was the Treaty of Commerce with France; and this it was that had induced the Government to introduce their financial proposals at an unusually early period of the year.

The Chancellor's task was difficult as well as complicated. A war with China had enlarged the military and naval estimates by over a million, and the revenue for the year from customs stood to lose £640,000 in consequence of the treaty which Cobden had negotiated with the French Emperor. If the income tax, the tea duties and the sugar duties were allowed to lapse, there would be a formidable deficit of about £9,400,000. This raised the question what had become of his 1853 calculations, which, if correct, would have enabled the country to dispense with the income tax in 1860? Mr. Gladstone showed that, in spite of the cost of the Russian War, his calculations would have served on one assumption, on one IF. "*If*, along with the general productiveness of the revenue, your expenditure had continued to be anything like what it was, you might at this day have done what you pleased with the income tax."

An edifying digression on the growth of national expenditure followed. For a long series of years before 1853 it had increased but little; in 1853 it stood at just over fifty-two millions. Since then, apart from increased debt charges, the ordinary national expenditure had risen by £14,721,000, an annual charge equivalent at that time to an income tax of

over 13*d.* in the pound. This led the Chancellor to institute a comparison between the rate of increase in national wealth and the rate of increase in public expenditure. For this purpose he used the income tax schedules to measure the expansion of individual incomes. Between 1853 and 1858 the profits on trades and professions had grown by 9 per cent., those on real property by 11 per cent., and farmers' profits by 19 per cent. Carrying on these figures by an estimate, and taking as his first period the years 1843–1853, he found an increase in the wealth of the country of 12 per cent., and a further increase between 1853 and 1860 of 16½ per cent. But in the first period national and local expenditure had grown by only 4½ per cent., while in the second period it had increased by 22½ per cent., and was therefore outrunning the growth of national wealth and income. The case of optional expenditure under the control of Parliament was much worse. It had risen less than 9 per cent. in the first period; but in the second it had risen by as much as 58 per cent. Being himself responsible, as Chancellor of the Exchequer, for expenditure as well as for revenue, he frankly expressed his dissatisfaction, and his hope that it would be possible "in a great degree to retrace our steps by watching for, and by turning to account, every opportunity of retrenchment." But this process must necessarily be gradual; "for if it be not pursued with circumspection and with caution, it will serve but to aggravate the very evil which it may be intended to remove."

He had made it clear that, in his opinion, the level of national expenditure was too high. But the estimates stood, and the deficit had to be met.

Then came the further question whether they ought on this occasion to say: "Our necessities are too great, our means too narrow to enable us to effect any commercial reforms." Such reforms, it might be contended, were all very well for seasons of fine weather, but were not suitable for a time of pressure. With that doctrine he could not concur. It was not

in a time of financial ease that the commercial reforms were commenced in 1842; and he found a number of reasons why he should endeavour to give considerable relief to consumers and also to the operations of trade, on which the prosperity of all classes mainly depended. A high level of public expenditure, far from being a ground for arresting the progress of commercial reform, was a distinct argument for persevering and carrying it boldly to a conclusion. A high rate of income tax had been borne without discontent, largely because commerce had grown so rapidly since the reform of the tariff. Before those reforms, in the ten years preceding 1841, the revenue from customs and excise had increased at the rate of only £170,000 a year, while the export trade had increased by only £1,515,000 a year:—

> "Let us next take the twelve years from 1842 to 1853. You remitted during that period of Customs and Excise £13,238,000, and imposed £1,029,000, presenting a balance remitted of £12,209,000, or an annual average of £1,017,000. What was the effect on the revenue? The aggregate proceeds of the Customs and Excise increased by £2,656,000, or at an annual rate of £221,000. When you remitted practically nothing, your Customs revenue, in consequence of the increase of the population, grew at the rate of £170,000 per annum; and when you remitted £1,017,000 a year, your Customs and Excise revenue grew faster than when you remitted nothing, or next to nothing at all. I ask, is not this a conclusive proof that it is in a great degree the relaxation and reform of your commercial system which has given to the country the disposition to pay taxes along with the power also which it now possesses to support them? And as to the foreign trade of the country during the same period, instead of growing at the rate of £1,515,000 a year, it grew at the rate of £4,304,000.

He concluded, therefore, unhesitatingly in favour of a considerable remission of indirect taxes; but he did not think that the tea and sugar duties were the subjects on which they might operate with the greatest advantage. True, tea and

sugar were harmless and beneficial articles of universal consumption, but their consumption was increasing and the revenue was growing. Moreover, it was desirable that the labouring classes should bear their share of the burden of public expenditure, and these duties entailed no complexity in the customs system, and involved none of the evils which belonged to differential duties. Then he proceeded to explain the principle on which he would act:—

> "It is a mistake to suppose that the best mode of giving benefit to the labouring classes is simply to operate on the articles consumed by them. If you want to do them the *maximum* of good, you should rather operate on the articles which give them the *maximum* of employment. What is it that has brought about the great change in their position of late years? Not the mere fact that you have legislated here and there for the purpose of taking off 1*d.* or 2*d.* in the pound from some article consumed by the labouring classes. This is good as far as it goes; but it is not this which has been mainly operative in bettering their condition as it has been bettered during the last ten or fifteen years. It is that you have set more free the general course of trade; it is that you have put in action the emancipating process, that gives them the widest field and the highest rate of remuneration for their labour."

The great advantage to the labouring classes, resulting from the repeal of the Corn Laws, had been not from a small reduction in the price of bread, but from the growth of a regular and steady trade in corn. "By that trade you have created a corresponding demand for the commodities of which they are the producers . . . and it is the enhanced price their labour thus brings, even more than the cheapened price of commodities, that forms the main benefit they receive. That is the principle of a sound political economy applicable to commercial legislation."

From this general argument he passed to the commercial treaty with France, whose adoption he at once confidently recommended to the Committee "as fulfilling and satisfying

all the conditions of the most beneficial kind of change in our commercial relations." The treaty was reciprocal. On the one hand, the French Government engaged to reduce at various dates in 1860 and 1861 the Customs duties on coal, coke, iron, steel, tools, machinery and practically all the staples of British manufacture. All prohibitions were to be removed, and no duty on articles specified was to exceed 30 per cent. *ad valorem* for three years, after which the maximum duty was to be 25 per cent. The covenant on our side included "a sweep, summary, entire and absolute, of what are known as manufactured goods from the face of the British tariff." We also engaged to reduce the duties on French brandy and wine, and to treat France as she would treat us on most-favoured-nation terms. The treaty was to continue in operation for a period of ten years.

Gladstone, like Cobden, supported the treaty on political and moral as well as on economic grounds. He traced the prohibitory and protective system in both countries to the political estrangement brought about by the wars of the French Revolution. That system had been remarkably effectual in restricting trade between England and France, and in preventing the growth of good feeling between the two nations. "It is because it was effectual that I call upon you to legislate now for an opposite aim by the exact reverse of that process. And if you desire to knit together in amity those two great nations, whose conflicts have so often shaken the world, undo for your purpose that which your fathers did for their purpose, and pursue with equal intelligence and consistency an end that is more beneficial." Looking at the treaty as a business proposition, he dwelt for a moment on commercial geography:—

> "Consider, in the first place, the relative positions of England and France. It is perfectly true that France is a foreign country, but she is a foreign country separated from you absolutely by a narrower channel than that which divides you from Ireland; and while Nature, or

Providence rather, has placed you in the closest proximity, the same wise agency has also given to these two great countries such diversities of soil, climate, products and character, that I do not believe you can find, on the face of the world, two other countries which are so admirably constituted for carrying on a beneficial and extended commerce with one another. I believe, indeed, that the prohibitory system subsisting between England and France is but little less unnatural, as to every commercial—I think I may add as to every moral and political—result, than if you were to revive those prohibitory systems which formerly separated England from Scotland, and Great Britain from Ireland."

Strangely enough, there were a few hypercritical, superfine Free Traders in England who jibbed at the treaty as if it involved exclusive privileges and was therefore a retrogression rather than an advance. But Gladstone brushed these pernickety objections aside; for though some of the remissions would be especially beneficial to France, they all applied to all nations without distinction. "What we enact for her we shall at the same time enact for all the world." The real resistance came from small groups of manufacturers and was unquestionably founded on a solid fact—namely, that the treaty was an abandonment of 'the miscalled principle' of Protection. "The fact is that our old friend Protection, who used formerly to dwell in the palaces and the high places of the land, and who was dislodged from them some ten or fifteen years ago, has since that period still found pretty comfortable shelter and good living in holes and corners; and you are now invited, if you will have the goodness to concur in the operation, to see whether you cannot likewise eject him from those holes and corners."

Among the articles from which protection was to be removed were gloves, straw plaiting, cork, silk, watches, musical instruments, leather, china and glass. The total amount of the duties to be removed in conformity with the French treaty would reduce the revenue from Customs by

about £1,737,000. It had been objected that "the duties we are about to repeal are, forsooth, revenue duties, and duties which are levied upon luxuries, duties which do not affect the poor man." Compassion for the poor man was a very fine feeling, but it was out of place; for the duties, by raising prices, had made into luxuries beyond the reach of the poor man what the poor man would otherwise consume.

Again, if these were really revenue duties, it was very curious to notice what classes were alarmed by the treaty. The gentlemen who came to protest did not enter the Chancellor of the Exchequer's room to tell him that they were guardians of the British revenue, but with a much more simple and intelligible tale. What they wanted was a higher price for certain goods than that at which the public can get the same goods from France. "In fact, there is generally, on the part of the most respectable classes, a very natural desire, which we can neither wonder at nor blame, for the special protection of their own business. They show that, though they are without exception adherents of Free Trade, they are not adherents of Free Trade without exception. They make no secret of it, nor should there be any secret made of it here, that the duties in which they take an interest are not revenue duties, but protective duties, and for that very reason duties ill-adapted for the purpose of the revenue."

Some few rigid purists, already referred to, had objected to any bargaining with a foreign country, as if it were a positive evil that we should offer any inducement to our neighbours to break down their restrictions. But what they condemned was a clear doubling of the benefit. The gain to French producers would be a gain to British consumers, and *vice versa*. Bargaining, after all, was the end and aim of the transaction:—

> "The only reason why we have not made bargains similar to the present in former years was simply because we could not make them. It was not for want of trying. For four or five years this was almost the chief business of one or more Departments of the State, and yet no progress

could be made. Why? Because we then set out upon a false principle—we argued the matter as if the concession which each party made to the other were not a benefit, but an injury to itself. We have not now proceeded upon that principle. We have never pretended to France that we were going to inflict injury upon ourselves. We have simply offered France our best aid in breaking down her own vicious prohibitory system. In doing so, we may have given a greater benefit to France than to ourselves. I shall not attempt to measure the comparative good to be reaped as between one side and the other. What we have done is good—nay, doubly good; good for ourselves if France had done nothing at all, doubly good because France has done a great deal."

After dealing with gloves and wine, and showing that the wine trade, owing to the differentiation in favour of colonial wine, had "all the essential characteristics of a trade carried on and of a revenue pining under the influence of differential duties," he went on to pay a tribute to two persons who had been the main authors of the treaty. The Emperor of the French had prosecuted the work with sincerity and earnestness and in the spirit of enlightened patriotism. What of the British author?:—

"With regard to Mr. Cobden, speaking as I do at a time when every angry passion has passed away, I cannot help expressing our obligations to him for the labour he has, at no small personal sacrifice, bestowed upon a measure which he, not the least among the apostles of Free Trade, believes to be one of the most memorable triumphs Free Trade has ever achieved. Rare is the privilege of any man who, having fourteen years ago rendered to his country one signal and splendid service, now again, within the same brief span of life, decorated neither by rank nor title, bearing no mark to distinguish him from the people whom he loves, has been permitted again to perform a great and memorable service to his Sovereign and to his country."

Thus far the Chancellor of the Exchequer had dealt only with the duties to be repealed or reduced under the com-

mercial treaty with France. Under the head of duties repealed were silk goods, gloves, artificial flowers, watches, oils, leather, china, glass, linens, woollens and a number of miscellaneous articles such as bonnets, cherries, etc. He anticipated that these repeals would cost altogether £450,000 in the first year. The reduction in the duties on wine from 5*s.* 10*d.* to 3*s.* per gallon would cost £515,000, and the reduction on brandy from 15*s.* to 8*s.* 2*d.* a gallon would cost £225,000. By putting an end to the differentiation in favour of colonial wine, he would put an end to adulteration, and the loss of revenue would be much less now that all wines imported were taxed on the same basis.

The French treaty alone would bring about "a sensible reform in the customs establishments of the country"; but the reform thus effected would have no pretensions to being complete. Many other duties remained on the tariff whose reduction or removal would confer an immense advantage on the nation. This brought Gladstone to what he termed "our supplemental measure of customs reform," which would entail a loss of £910,000 to the revenue, while relieving consumers of a considerably larger sum. This second instalment of Customs reform included many abolitions and some reductions of duty. They proposed to abolish immediately and entirely the duty on butter, yielding £95,000; the duty on tallow, yielding £87,000; the duty on cheese, yielding £44,000; the duties on oranges and lemons, yielding £32,000; on eggs, £22,000; on nuts, £12,000; on nutmegs, £11,000; on paper, £10,000; on liquorice, £9,000; on dates, £7,000; and on other minor articles. The total cost of the abolitions would amount to £382,000. They also proposed to reduce the duties on five articles of importance, by far the greatest and most important being those on timber, which were the chief differential duties still remaining on the tariff after those abolished by the French treaty. The duties on foreign timber, mainly from the Scandinavian and Baltic countries, were to be reduced from the rates of 7*s.* 6*d.* and 15*s.* to the

rates of 1*s.* and 2*s.* which were levied on Canadian and other colonial timber. The apparent cost to the revenue would be £400,000; but he reckoned on a considerable recovery through increased consumption. The other four reductions would be on currants, raisins, figs and hops. The duty on currants was to be lowered from 15*s.* 9*d.* to 7*s.* per cwt. and the duties on raisins and figs from 10*s.* to 7*s.*, while the duty on hops was to fall as from January 1st, 1861, from 45*s.* to 14*s.* per cwt. These reductions would involve a loss of about £650,000 to the revenue from Customs; but a portion of the loss would be regained by various minor changes.

About one million still remained of the surplus, and Mr. Gladstone proposed to use it for the abolition of the excise duty on paper. He contended that it was a bad duty in many ways, partly because it was a uniform duty on a very varied article. It pressed most heavily on cheap paper and cheap books. "On dear books, which are published for the wealthy, it is a very light duty; on books brought out in large quantities by enterprising publishers for the middle and lower classes it is a very heavy and a very oppressive duty." It was surely a desirable and legitimate object to promote the extension of cheap literature, including popular newspapers and periodicals, which had been enlarged and improved since the removal of the penny stamp on newspapers. He had been making inquiries into the uses which paper served or might serve, and had a list of sixty-nine trades, in hardly one of which ordinary consumers of paper would have supposed that it played a part. For example, he said, "it is largely used by anatomical machinists to make artificial limbs; by telescope-makers, by boot- and shoe-makers, by cap manufacturers for the foundations of caps and hats, forming all the peaks and many of the tops, which look like leather; by china and porcelain manufacturers; by coat-makers, by comb-makers, by doll-makers, by ship-builders." It was used also for pictures and looking-glasses, for portmanteaux and teapots.

One manufacturer had written to tell the Chancellor that he had made panels for doors out of paper, and looked forward to making carriages out of it when the duty had been taken off. Another manufacturer had made what Mr. Gladstone rightly described as "a very just and forcible observation" by asking: "Who can fix the limit to ingenious combinations when we see indiarubber, for instance, being made into strong and durable combs and other articles of that sort?" Seventy-one years later, with rubber at threepence or fourpence a pound, it can be profitably used in some cases even for pavements! This same correspondent also told Mr. Gladstone that paper pipes were actually being made, prepared with bitumen, capable of standing a pressure of 300 lbs. of water to the inch. These illustrations bore consenting witness to the unbounded expansion of which the paper trade was capable, and of the benefits that would be conferred on the working classes by abolishing the tax; "not only because they will get cheaper paper, which must be of advantage to every man who furnishes a cottage," and to every purchaser of tea and coffee (when they are wrapped in paper), but also by putting in motion an immense trade which would "give a greater and wider stimulus to the demand for the labour of the country."

He laid particular emphasis on rural labour; for our country districts were suffering from the tendency of industry to concentrate in great towns. "Where there are streams, where there are villages, where there is pure and good air and tolerable access, there are the places in which paper manufacture tends to establish itself." The paper duty, he feared, had materially helped to extinguish all the small paper manufacturers and to concentrate the trade in a few hands. "Village mills are hardly to be found. I want to see, and I do not despair of seeing, these village mills spring up again and flourish."

A final argument for repeal came from the heads of the Inland Revenue Department, who agreed that the paper

excise duties were rapidly becoming incapable of being administered without public scandal and discredit. The difficulties of deciding what was paper and what was not—what were sheets of fibrous substance and what were not—made the law capricious, unequal and vexatious. The repeal of the paper duty from July 1st would cost the revenue a million, and would involve with it a number of other very desirable measures. "It will enable us to clear the tariff of all the articles coming under the heads of furnishing paper, writing paper, books, prints and engravings; and it will greatly simplify the laborious and difficult task which the Custom House officers have to perform in searching the luggage of passengers for pirated books." Besides the savings in Customs, there would be a saving through the abolition of the paper duties of £20,000 a year in the establishment of the Board of Inland Revenue.

Several members of the Government, including Lord Palmerston, disapproved of the repeal of the paper duties as likely to lead to the spread of cheap newspapers and dangerous ideas among the masses. Paper manufacturers and proprietors of high-priced newspapers made common cause with political reactionaries, and diminished majorities in the House of Commons encouraged the House of Lords to throw out the Paper Duty Bill, separating it from the Budget. Gladstone submitted at the time; but next year he included all his Budget proposals in one Bill, and the House of Lords was thus forced to swallow the repeal of the paper duty or to reject the whole Budget. From that time onwards the House of Commons has controlled the finances of the country, and until 1909 no Budget was seriously challenged or rejected by the House of Lords.

Gladstone concluded his financial statement on the great Budget of 1860 by describing the effect of its provisions "in bringing forward that consummation most desired of all reformers—a simplification and reduction of the volume, so to speak, of our customs tariff."

The number of articles subject to Customs duties on

January 1st, 1840, was 1052. In 1845, after hundreds of duties had been repealed, the number of dutiable articles had apparently increased to 1163, but only apparently and nominally; for their first operation in reforming the tariff had multiplied the number of articles in consequence of the transition from *ad valorem* duties to rated or specific duties, which necessarily increased the headings under which they were described. In 1853 the number of articles subjected to customs duties was 466, and on January 1st, 1859, it was 419. After Parliament had adopted his Budget, the whole number of articles remaining on the tariff would be forty-eight, and there would be only fifteen in all really retained for purposes of revenue. These fifteen fell into three classes:—

1. Five articles yielding from £1,000,000 to £6,000,000 a year—spirits, sugar, tobacco, tea and wine.
2. Four articles yielding from £200,000 to £1,000,000—coffee, corn, currants and timber.
3. Six articles yielding from £20,000 to £200,000—chicory, figs and fig-cake, hops, pepper, raisins and rice.

Besides these fifteen articles there were twenty-nine which, though yielding revenue, were only retained on special grounds. Five were kept because of countervailing excise duties on domestic articles; and twenty-four were kept because of their resemblance to one or other of the fifteen leading revenue duties. They could not, for example, admit eau de cologne free of duty so long as there was a duty on brandy. "It thus follows that your Customs revenue will be derived substantially from fifteen articles." There would henceforth be on the British tariff "no rates whatever intended to be in the nature of protective or differential duties; unless we apply that name to the small charges which will still be levied upon timber and corn, and which amount in general perhaps to little more than 3 per cent. on the value. With these limited exceptions, you will have a final disappearance of all protective and differential duties; and the

merchant, with the consumer, will know that every shilling that he pays, he pays in order that it may go to the revenue, and not to the domestic as against the foreign producer."

Thus Mr. Gladstone could claim that he had carried out, for the first time in fiscal and commercial history, the famous fourth maxim, or canon, of taxation laid down by Adam Smith in his "Wealth of Nations":—

"Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State."

* * * * * *

In the following year, on April 15th, 1861, in opening another Budget, Mr. Gladstone reviewed the results of the great operations of 1860; great but not complete; for the House of Lords had forced him to abandon the repeal of the paper duties. Speaking of his previous Budget, he said that whatever might be thought of it, they must all agree that 1860 was no ordinary year in our financial history. "It was a year in which the House gave its sanction to that great instrument, the treaty of commerce with France. It was a year in which we received a remission of our hereditary burdens, through the diminution of the charge on the debt, such as we probably never shall receive again. It was a year in which the controversy with respect to Protection, so long the leading cause of agitation in the country and of political disorganisation in this House, may be said to have been at length finally wound up; for it closed without leaving on the Statute Book of the United Kingdom one single properly protective duty of more than nominal amount. It was also a year of the highest taxation and of the greatest expenditure that have ever been known in this country, unless in the midst of an European war. And, finally, it was a year marked by a succession of seasons the most unfavourable of all with which it has pleased Providence to visit us during the course of about half a century."

THE COMMERCIAL TREATY WITH FRANCE

Mr. Gladstone's statement that his Budget of 1860 had practically extinguished Protection is confirmed and corroborated in a remarkable letter (hitherto unpublished) written by Richard Cobden from his home at Dunford, near Midhurst, towards the end of the year. This letter, dated December 12th, 1861, is in reply to a Belgian correspondent who wanted to know how far British commerce had been emancipated from protective customs duties.

"I am not aware," said Cobden, "that there is any protective duty in favour of the merchandise or flag of Great Britain either in the United Kingdom or the colonies. There is no particular document affirming this principle of Free Trade to which I can refer. The present state of things has been the gradual growth of fifteen years of continuous legislation in the direction of commercial liberty. When, in 1846, the great monopoly of the dominant class in this country was destroyed by the abolition of the Corn Laws, it was known that the whole system of 'protection,' as it was called, was overthrown. The Corn Laws were the keystone of the arch of monopoly, and when withdrawn the whole structure fell of its own weight to the ground.

"The Navigation Laws followed; then the restrictions on the colonial trade which favored the mother country were removed; and year after year each successive Budget purged our tariff from some of its remaining protective duties, until last year Mr. Gladstone completed the great work begun by Sir Robert Peel in 1842. I am not aware that there is now one duty remaining on our tariff which is *protective* in its objects. We have many duties—such as that, for example, on tea—which are too heavy, but they are not maintained in the interests of any British producers."*

* I am indebted to Mrs. Jane Cobden Unwin, Richard Cobden's daughter, for permission to print the above letter, which concludes as follows:—

"The greatest boon, perhaps, that could be conferred on humanity would be the abolition of the Customs House System, and the removal of every obstacle which impedes the free intercourse between the nations of the earth. I shall not live to see this great reform realised; but I have no more doubt of its realisation than I have of the triumph of truth over error in any other question in which the moral and material interests of mankind are involved.

From the elaborate and detailed account of the financial history of the past year which Mr. Gladstone gave in his 1861 Budget it appears that there was a real deficiency of £855,000 on his estimates—a result far from unsatisfactory, seeing that the bad season represented a loss to the *revenue*—he meant, I suppose, to the *aggregate income* of the country—of from 20 to 30 millions sterling. At the same time, he drew a moral from the high rate of expenditure, "suspecting that there may be some degree of relation between the inordinate growth of expenditure and that diminished elasticity of the revenue, which we cannot fail to observe in comparing our fiscal experience during the last year with the fiscal history and results of the year 1853–1854." On the other hand, there had been a large increase in foreign trade, both of exports and of imports. Such a movement was natural and reciprocal. "I shall presume that we all have faith enough in freedom of trade and in its principles to believe that an increase in our exports must of necessity either have at once accompanied, or must in due time follow upon, an increase in our importations."

The export trade of 1860 was the largest on record, the value of exports having risen from 130 millions in the previous year to 136 millions. Among imports there had been an immense increase in foreign timber; but, in spite of the removal of differential duties, imports of colonial timber and deals had also risen a little—from 1,262,000 loads to 1,276,000 loads. Imports of butter, cheese, eggs and rice had risen from a value of £4,694,000 in 1859–1860 to £7,393,000 in 1860–1861. Owing to the failure of the harvest, the value of grain imports had more than doubled—from 17 to 38 millions.

Coming now to the broad results of the removal and reduction of import duties in the 1860 Budget, Mr. Gladstone took first the imports of articles on which the duties were left untouched. The value of these imports had fallen to a trifling extent from 138 to 137 millions sterling. Secondly,

the value of the imports of those articles on which the duty had been reduced in 1860 had risen from £11,346,000 to £13,323,000, an increase of 17½ per cent. Thirdly came the articles on which duties had been repealed in 1860. The value of these imports had risen from £15,735,000 to £22,062,000, an increase of over 40 per cent. Yet they had only just begun to reap the benefit which was to come from the French treaty, which with the accompanying measures, had already, as he computed, added 9 millions sterling to the trade of the country.

If we turn now to the statistical abstract and look a few years ahead, we find that in 1859 British imports were valued at 179 millions and British exports at 155 millions. In 1869, imports were valued at 295 millions and exports at 237 millions. The total value of British imports and exports *per head* of the population rose in this decade from £11 14*s*. 2*d*. to £17 4*s*. 6*d*.—surely a marvellous indication of the prosperity and expansion that accompanied and followed Gladstone's combination of public economy with the emancipation of trade from protective duties and a general reduction in the burden of taxation on all classes of the community.

Appendix to Chapter XII.

To illustrate Gladstone's method of laying his views on paper before his Cabinet colleagues, it may be useful to quote from a memorandum which exists among the Gladstone papers in the British Museum. It is entitled:

"*Memo. by W. E. G. on* 1860 *Budget.*"
(April 20th, 1860.)

The Government had been charged with sacrificing the next year to the present one, and with keeping down its estimates by artificial pressure, so as to present a favourable balance. The Chancellor of the Exchequer therefore entreated "the earnest attention of the Cabinet to the prospects

of the country with respect to its future finance." Since 1853 there had been a succession of good harvests; and since 1855 no serious wars to interfere with European trade. Probably the recurrence of bad harvests could not be long delayed.

Gladstone then went on to consider how economies could be effected. "Our indirect taxation in general has been brought . . . nearly to a state at which its inconveniences will be at a minimum, and its productiveness at a maximum." Claims for reduction of the tea and sugar duties probably would not become urgent for some time. He also suggested that "a more economical management of the currency might supply a financial resource not of contemptible amount." With regard to direct taxation, he argued that "by a high income tax, such as now exists, in time of peace, we greatly narrow and weaken our reserve of taxing power for time of war." It was doubtful whether the income tax would be renewed next year at anything like the present rate without serious difficulties. "When the income tax once comes to be handled on the principle of varying its amount according to the supposed value of different kinds of income, he would be a bold man who would answer for its stability."

At that time the expenditure of the country was increasing at a rate much greater than its wealth; so the need for economy was more pressing than ever. "In the estimates for the present year, we have one source of serious but unavoidable uncertainty—that of the expedition to China. . . . With very high taxation and with more than £1,500,000 of our funds appropriated from extraordinary sources, we are just able to show on paper a small surplus. A bad harvest might possibly, the continuance of the China quarrel would certainly, convert that surplus into a deficiency." Gladstone thought that, assuming the continuance of peace in Europe, there was no reason to be uneasy, "if the Cabinet are of opinion that an income tax of 14*d.* or 13*d.* in the pound is a safe experiment to try upon the people for a series of years." But he believed that such an experiment was "neither safe

nor right," and was convinced that if the present course of expenditure continued, "we cannot fail to arrive at financial discredit, instability and disorder."

Gladstone deplored the increase in military estimates, and he was now confronted by "a new and vast demand for fortifications." But there was a feeling abroad in England that "without diminishing real strength, we ought to have material economy" in naval and military estimates. This feeling would take its revenge on the rulers of the country, if the public afterwards found that great savings, which might have been effected, had been overlooked. A new demand had just been made (within two months of the military estimates being settled) from the War Office "for increase of force and charge." This was important, says Mr. Gladstone, "as a sign of the times and as an indication for the future."

In the autumn, Mr. Gladstone had suggested directions in which reductions might be made in miscellaneous estimates. But "in the great departments of expenditure, it is only by the Ministers immediately concerned that any plans of reduction can be satisfactorily devised, proposed or executed." But he held the case to be so urgent that any members of the Cabinet might offer suggestions. It was true that "here, at the centre of the Empire, a powerful force by sea and land ought to be maintained, in the main for public security, but in part also because, under our altered circumstances as to communications, it is, I apprehend, from the centre that, as occasion arises, local demands for force may commonly best be met." Mr. Gladstone then deals with naval armaments at out-stations. In spite of improved communications and a vast naval force at home and in the Mediterranean, a "system of ubiquitous naval armament" has been growing up. "The meaning of the system seems to be that wherever there are British subjects and British trade, there shall be British force to protect them." This end could never really be attained, and Mr. Gladstone wished to

substitute as the true principle "that there should be ships where there is service." In many cases "the presence of an armed force in the midst of pacific transactions is an enormous mischief," as was discovered in June 1859 at Peiho. England had been building more line-of-battle ships than were necessary in comparison with the numbers possessed by France and Russia. As regards Colonial military expenditure, Gladstone held that "there is nothing like equality of treatment as towards the various colonies," and it was "discreditable to the people of the colonies calling themselves free, to have their defence provided for . . . at the charge of England."

In conclusion he wrote: "I propose, then, to the Cabinet that we recognise the necessity of making great efforts to balance in some degree our enormous expenditure for home defence in general, by a reconsideration of our policy and measures under the heads to which I have adverted, as well as under such others as the experience and knowledge of the Ministers chiefly concerned, and their Departments, may suggest.

"My belief is, that such resolutions firmly prosecuted would have the approval and support of Parliament and the country. Parliament, not rallied by the voice of the Government, slides, as a matter of course, in the direction of the prevailing temper; but this bias does not render it hopelessly blind and undiscerning, nor need it deter any Ministry from an appeal to its good sense. If efforts of this kind, and the difficulties they entail, cannot be faced, then it is my deliberate belief that this country will have to travel, and is even now beginning to travel, into both general and military weakness through the surest road, that of financial confusion."

CHAPTER XIII

CUSTOMS AND INCOME TAX

THE BUDGETS OF 1861 TO 1866

GLADSTONE'S 1861 Budget was a very simple one. It provoked the remark that he had wrapped up a penny in paper; for its two leading features were the repeal of the paper duty and a reduction of a penny in the income tax. It was based on an estimated revenue of £71,703,000 and an estimated expenditure of £69,907,000. Except on the articles actually affected by the operations of 1860, there had been no such expansion of trade as that which had followed the Budget of 1853. This comparative inelasticity made a profound impression on the Chancellor, and he accounted for it by the great increase of expenditure which had taken place in the interval:—

	1853–4.	1860–1.	Increase
Imperial expenditure	£51,250,000	£72,792,000	£21,542,000
Local expenditure .	£16,000,000	£18,000,000	£ 2,000,000
Total .	£67,250,000	£90,792,000	£23,542,000

The great problem of the income tax depended upon the scale of expenditure, and Gladstone was evidently beginning to view that impost with greater and greater jealousy as an instrument which lent itself too readily to the prodigality of a Palmerstonian House of Commons and its prosperous, easy-going, middle-class constituents. On this occasion he said:—

"I cannot deny that remissions of direct taxation are as just and often as desirable [as remissions of indirect taxation]; and I as fully feel, as gentlemen opposite may feel, that our direct taxation has reached a point at which it is

greatly to be wished that we should, if we can, begin at least to impart to it a downward movement. I do not think that the condition of this country with regard to its finances can be wholly satisfactory when in time of peace the income tax stands at 10d. in the pound. I know very well that I am supposed to be under a special responsibility, not only for the amount, but for the existence of the income tax. It has often been charged upon me, and I believe to this day alleged, that it is my absolute duty, whatever be the circumstances and whatever be the expenditure, to find the means of abolishing that tax, with or without a substitute. I must confess that I think that it is a hard imposition. I should like very much to be the man who could abolish the income tax. I do not altogether abandon the hope that the time may come. . . . Upon all sudden attempts to reduce it, and upon all promises to make sudden, extensive and sweeping reductions in it, I for one should look with great suspicion and disfavour. But, looking forward into the future, and desirous to afford such indications of it as I can venture to give, I should hazard an opinion that if the country is content to be governed at a cost of between £60,000,000 and £62,000,000, or even £64,000,000 a year, there is not any reason why it should not be so governed without the income tax, providing that Parliament shall so will it to be. . . . I think that it would be a most enviable lot for any Chancellor of the Exchequer—I certainly do not entertain any hope that it will be mine—but I think that some better Chancellor of the Exchequer in some happier time may achieve that great consummation; and that some future poet may be able to sing of him, as Mr. Tennyson has sung of Godiva, although I do not suppose the means employed will be the same—

> 'He took away the tax
> And built himself an everlasting name.'"

On the abstract merits of direct and indirect taxation he did not pronounce. All his problems were practical and concrete. He looked at the whole field of income and outgo as a Finance Minister. When, on estimating his expenditure and revenue for the coming financial year, a Chancellor of the

Exchequer is confronted with a deficit, he has to choose between an addition to income tax, death duties or other so-called direct taxes, and additions to customs and excise duties or other so-called indirect taxes. Similarly, when there is a surplus, he has to decide whether he will grant such relief as he can afford to the direct or the indirect taxpayer. No rule applicable to all times and circumstances can be laid down; but it has been usual, and not unreasonable in emergencies, such as war, to call upon all classes of taxpayers, rich and poor, to contribute ; and again in times of prosperity, when the revenue is overflowing and expenditure has been kept within bounds, it has been customary to grant relief to all classes of the people. On one of these happier occasions, now sixty years ago, in this same financial statement of 1861, Gladstone delighted the House with a simile:—

> "I never can think of direct or indirect taxation except as I should think of two attractive sisters, who have been introduced into the gay world of London; each with an ample fortune; both having the same parentage (for the parents of both I believe to be Necessity and Invention), differing only as sisters may differ, as where one is of lighter and another of darker complexion, or where there is some agreeable variety of manner, the one being more free and open, and the other somewhat more shy, retiring and insinuating. I cannot conceive any reason why there should be unfriendly rivalry between the admirers of these two damsels; and I frankly own, whether it be due to a lax sense of moral obligation or not, that as Chancellor of the Exchequer, if not as a member of this House, I have always thought it not only allowable, but even an act of duty, to pay my addresses to them both."

At the same time, he took some credit to himself for never having entered into any general disquisition upon the subject. It was idle, he held, for a person holding the position of Finance Minister to trouble himself with what was necessarily for him an abstract question—namely, the relative advantages of direct and indirect taxation considered upon

their merits. As between the two, he professed perfect impartiality. Nevertheless, it led him into a rètrospect: "I must say, with regard to the remission of indirect taxes, I hope that the memorable history of the last twenty years will never be forgotten; for I do not scruple to state that if you look to its economical profits on the one hand, and then to its political, social and moral fruits on the other, it is difficult to know to which to give the palm in point of magnitude." Gladstone was thinking of the revolutionary discontent among labourers in town and country during the miserable years between the Battle of Waterloo and the repeal of the Corn Laws. Low wages, unemployment and starvation were the common lot of the poor. What a contrast between 1841 and 1861! But twenty years of tariff reduction and expanding trade, with the knowledge that bread, meat and bacon were no longer taxed, had put an end to the bitterness between classes, and had united the nation in a buoyant march towards prosperity. It was an era of rising wages and rapidly expanding trade. Well might Gladstone be proud of the part he had taken, first as Sir Robert Peel's lieutenant, secondly as captain of the financial ship, in this great work of fiscal emancipation. "If," he added emphatically, "we had not gained one single shilling by the remission of indirect taxation, it would have been worth having for the sake of the manner in which it has knit together the interests and feelings of all classes of the community from one end of the country to the other." If, on the other hand, no moral and social results had ensued, "still the merely economical effects, in promoting the material well-being of the people, have been so signal and extraordinary that we may well rejoice to have lived in a period during which it has been our happy lot to take part in bringing about such changes."

No one at that time questioned the truth of Gladstone's assertions as to the marvellous change that had come over English society between 1841 and 1861. Prosperity had been unfolding itself. Men saw the process going on.

Students of our social history may find in the books of Mr. and Mrs. J. L. Hammond a minute, faithful and graphic picture of the conditions in which both town and country labourers lived during the 'twenties, 'thirties and 'forties of the nineteenth century. But to bring the facts home we may cite three authorities. In the sixth volume of his "History of England" (p. 386), Spencer Walpole expressed his "deliberate opinion that the wretchedness of the lower orders had been constantly increasing from 1815 to 1842." A greater historian, Macaulay, speaking at Edinburgh on December 2nd, 1845, thus described the country's condition in 1841:—

> "Will anybody tell me that the capitalist was the only sufferer, or the chief sufferer? Have we forgotten what was the condition of the working people in that unhappy year? So visible was the misery of the manufacturing towns that a man of sensibility could hardly bear to pass through them. Everywhere he found filth and nakedness, and plaintive voices, and wasted forms and haggard faces. Politicians who had never been thought alarmists began to tremble for the very foundations of Society. First the mills were put on short time. Then they ceased to work at all. Then went to pledge the scanty property of the artisan; first his little luxuries, then his comforts, then his necessaries. The hovels were stripped till they were as bare as the wigwam of a Dogribbed Indian. Alone amidst the general misery, the shop with the three golden balls prospered, and was crammed from cellar to garret with the clocks and the kettles, and the blankets and the Bibles of the poor. I remember well the effect which was produced in London by the unwonted sight of the huge pieces of cannon which were going northward to overawe the starving population of Lancashire."

The third is from a speech delivered at Birmingham on November 7th, 1885, by Mr. Joseph Chamberlain, who had passed his boyhood in those hard times and had been conversant, as President of the Board of Trade, with wages and business in the early 'eighties. He said:—

"I wonder whether in this vast audience there are any people who have any conception of the state of things which existed forty or fifty years ago [*i.e.* between 1835 and 1845]. At that time the whole of the labourers in the agricultural districts were on the verge of starvation. The Poor Rates were in some districts twenty shillings in the pound. At the time of which I am speaking the large towns were described by eye-witnesses as bearing the appearance of beleaguered cities; so dreadful were the destitution and the misery which prevailed in them. People walked the streets like gaunt shadows, and not like human beings. There were bread riots in every town. There were rick-burnings on all the countrysides. We were on the verge of a revolution when the Corn Laws were abolished."

A person unacquainted with public finance, who merely knew that Peel and Gladstone had repealed all except a very few of the many thousand Customs duties which obstructed imports in 1841, might naturally have supposed that a great decline of Customs revenue must have followed, and that the balance between direct and indirect taxation must have been disturbed. That idea is still held, and advocates of a "revenue tariff" in 1931 would have us suppose that a few thousand small Customs taxes of, say, 10 per cent. *ad valorem* on all imports would be enormously productive. The fallacy concealed in this at first sight plausible proposition is that, as most of these Customs duties would be protective in the absence of any corresponding excise on competing commodities produced at home, their yield would be negligible and the revenue would not pay for the cost of collection. That is the experience of all countries which possess a general protective tariff. That was the experience of Great Britain before Sir Robert Peel commenced his operations. Even then most of the revenue was derived from quite a small number of import duties; and when the great mass of obstructive and often prohibitive taxes was removed, our import and export trade began to expand by leaps and bounds.

Cheap and plentiful food enlarged the buying powers of the whole community, and manufacturers began to experience the benefit of a cheap supply of raw materials from all parts of the world. They were enabled to get what they wanted at the world's market price. Their cost of production was lowered, and they found larger markets both at home and abroad for what they had to sell. A wonderful elasticity of the revenue manifested itself. Not only the direct taxes, but all the remaining branches of indirect taxation proved increasingly productive.

On this theme Gladstone had something to say in the financial statement of 1861:—

> "There cannot be a grosser delusion than the supposition that the work of Parliament, during the period I have named, has been to destroy indirect taxation. The hand with which Parliament has wrought has been a pruning hand; its thought all along has been not to destroy the tree, but to strengthen the stock; the aim of the operation has been to augment both size and vigour; and the consequence is that at this moment, when indirect taxation has been 'destroyed,' as the fashionable phrase is, not once, but four or five times over, indirect taxation is larger and more productive—I do not mean in this particular year, but in any ordinary year, and upon the average of the last two or three years—than at any former period of our history."

He was happily reminded of the tree with golden leaves described by Virgil. When his hero, Aeneas, plucked, as he was bidden to do, one branch, another at once took its place:—

> "Primo avulso non deficit alter
> Aureus; et simili frondescit virga metallo."

Gladstone held the comparison to be a just one between Virgil's tree and "that thriving tree of indirect taxation on which Parliament has expended so much of its energy and its

care." Much had been done, and something more might still remain to do. But on this occasion the Chancellor of the Exchequer divided his bounty; for he devoted half his surplus to the repeal of the paper duties and the other half to a reduction of the income tax from 10*d.* to 9*d.* in the pound, or, rather, to 9*d.* in the pound on incomes of above £150 a year and to 6*d.* in the pound on incomes of from £100 to £150.

These remissions were substantial, but the Chancellor of the Exchequer was not satisfied. He concluded with a warning on the growth of expenditure since the Crimean War which could not have been palatable to Palmerston. There had been in recent years, he said—referring, of course, to the French invasion panic—an increased susceptibility to excitement, leading to constant and almost boundless augmentations of expenditure—"a tendency to break down all barriers and all limits which restrain the amount of public charge." He went on in words that cannot be too often recalled or emphasised:—

> "It is a characteristic, Sir, of the mischiefs that arise from financial prodigality, that they creep onwards with a noiseless and a stealthy step; that they commonly remain unseen and unfelt until they have reached a magnitude absolutely overwhelming; and then at length we see them, such and so great as they now appear to exist in the case of one at least among the great European states, I mean the Empire of Austria, so fearful and menacing in their aspect, and so large in their dimensions, that they seem to threaten the very foundations of national existence."

A check, he thought, was being put upon the tendency to extravagance, and he trusted that that tendency would altogether subside. High public expediency and national duty required that we should recur not indeed to the exact levels of expenditure of previous years—for national wants, with the nation's ever-increasing growth, will vary and grow—but to the spirit, the temper and the rules "with which no

long time ago we were all wont to apply ourselves to the subject of public expenditure." On this high note he ended with a peroration worthy of a great patriot and a great master of finance:—

> "The spirit of the people is excellent. There never was a nation in the whole history of the world more willing to bear the heavy burdens under which it lies; more generously disposed to overlook the errors of those who have the direction of its affairs. And, for my own part, I hold that, if this country can steadily and constantly remain as wise in the use of her treasure as she is unrivalled in its production, and as moderate in the exercise of her strength as she is rich in its possession, then we may well cherish the hope that there is yet reserved for England a great work to do on her own part and on the part of others, and that for many a generation yet to come she will continue to hold a foremost place among the nations of the world."

Thanks largely to Gladstone's heroic and indefatigable efforts, the general tide of alarmist extravagance, on which Palmerston's absurd fortification scheme had been floated, was now subsiding; and a searching spirit of economy penetrated from the Treasury into every department of the Administration. Our national expenditure, which stood at about 50 or 51 millions from 1850 to 1853, had been 72 millions in the financial year ending March 31st, 1861, with which Mr. Gladstone was concerned in his 1861 Budget. Turning to the statistical abstract, we find the following figures of national expenditure, being the actual payments out of the Exchequer in millions, for the financial years ending March 31st:—

1861, 72 millions; 1862, 71 millions; 1863, 69 millions; 1864, 67 millions; and 1865, 66 millions.

There were substantial reductions in these years in the duties on cheese, tobacco, sugar and stamps, and the hop

duty was repealed; while the income tax was reduced by rapid stages from 9*d.* in 1861 to 4*d.* in 1865.*

Meanwhile the total value of imports to the United Kingdom rose from 179 millions sterling in 1859, when Mr. Gladstone went to the Exchequer, to 295 millions in 1866, while the value of British exports in the same period rose from 155 to 238 millions.

Meanwhile the outbreak of the Civil War between the Northern Free States and the Southern Slave States of America was casting a black shadow over British commerce, and especially over the cotton trade. In the first three months of 1860 we had exported to America 5 millions' worth of British produce. The exports for the first three months of 1861 had shown a falling-off of more than 3 millions. But Mr. Gladstone could boast that he had called in the Old to redress the balance of the New World; for, thanks to the Commercial Treaty with France, our exports to that country in the three months of September, October, November 1861, as compared with the same three months of 1860, had risen from £1,517,000 to £3,617,000, showing a gross increase of more than 2 millions, "an augmentation in the total extent of the trade of more than cent. per cent."

A little later, at Manchester, in April 1862, he dwelt on the diplomatic difficulties that had arisen through lack of sympathy in this country for the Northern States, in spite of our strong feelings against the Southern institution of slavery. Gladstone shared the belief that the Southern States would succeed in separating from the Northern and establishing themselves as an independent nation. In that

* It may be convenient here to set out what Mr. Gladstone did in those years for direct taxpayers:—

1861–2. Income tax reduced from 10*d.* to 9*d.*
1862–3. No change.
1863–4. Income tax reduced from 9*d.* to 7*d.*
1864–5. ,, ,, ,, 7*d.* ,, 6*d.*
1865–6. ,, ,, ,, 6*d.* ,, 4*d.*

The expenditure, which had risen to £72,792,000 in 1860–61, had been reduced to £65,914,000 in 1865–66.

case we should have to enter into peaceful relations with them, and he added: "We have no faith in the propagation of free institutions at the point of the sword." But whatever the results of this conflict, England might congratulate herself upon the neutrality she had observed and upon the patience and endurance she had shown under the miseries inflicted by this Civil War; and the expansion of trade with France* gave her some compensation for the loss of her trade with America. Our national expenditure was excessive, but "we have not been drawn into that vortex into which almost every other nation has been dragged—we have not been begging for loans in the money market to carry on the government in time of peace."

Unhappily the blockade of the Southern ports by the navy of the North had caused a cotton famine in Lancashire which produced much suffering and called for public and private relief on a then unprecedented scale. At Newcastle, in the autumn, Gladstone spoke severely of some millowners who had shut up their mills and sold their large stocks of cotton at a huge profit.† He also admonished the officers who administered Poor Law Relief in words which deserve quotation:—

> "Let us hope, in the first place, that in the administration of the Poor Law it may be remembered that the right of these people is to a sufficiency of food for the purpose of sustaining not life only, but health. Before you talk of relief committees and of private charities, remember that that is the sacred right of the people—a lien constituted by law upon the property which is liable for the purpose of supporting them; and let us hope also that the relief which is given them, not under circumstances importing reproach to their character, but under circumstances which illustrate beyond all example the strength and firm-

* In the last year before the Commercial Treaty our trade with France had been valued at £9,400,000; in the first year after the treaty it had risen to 21 millions, and the value of our manufactured goods exported to France had risen from £2,451,000 to £6,700,000, an increase of 270 per cent.

† Later on he admitted that most of the mill-owners behaved well.

> ness and tenacity of the noble English spirit which is in them—let us hope, I say, that that relief, when it is given, will be given without humiliating them or making them feel that they have lost ground in the estimation of their fellow-countrymen on account of misfortunes, of which they are as innocent as children, but which they have borne like heroes."

After his speech at Newcastle, Mr. and Mrs. Gladstone sailed down the Tyne from Gateshead to Tynemouth, and visited Sunderland, Darlington and Middlesborough, which last the Chancellor of the Exchequer described as an infant Hercules. Speaking of its rapid industrial development, he noticed the advantage which had just accrued to the country by the substitution of iron for wood in shipbuilding: "The strength of the people of this island, their vigorous and masculine habits, have at all events given them an immense advantage in the prosecution of the trade in metals, and whatever tends to substitute metallic productions for productions not metallic in such an article as ships is a change and a progress eminently favourable to England."

Speaking of improvements in communication and transit he drew a quaint comparison with the year 1725, when coal came from Suffolk and when in the near neighbourhood of London "a devout lady made her journey to church upon a Sunday in her carriage drawn by six oxen," explaining that "the whole strength of six oxen was required to contend, not with the weight of this good lady, but with the condition of the roads and communications as they then were in the wealthiest and most highly-developed portions of the country."

Interesting as was the financial statement of 1862, its importance in our financial history is very small; for under the conditions of the time and the pressure of the distress in Lancashire Gladstone did not see his way to a substantial surplus. Consequently, he only proposed minor changes—the repeal of the Customs and Excise duties on hops, balanced by an increase of brewers' licences.

What was important and satisfactory was that at last the Chancellor had put a check on what he rightly regarded as national extravagance. He was able to assure the House that his total estimated expenditure would show a diminution on the actual expenditure of the previous year of £1,718,000. They had therefore established at all events the commencement of a downward movement. But the level was still far too high—too high to be borne with comfort, though it had been borne with exemplary patience. Had it been compatible with perfect health and soundness, "I should now be asking you to let me begin the year with a sensible surplus, and not with a barely equalised income and expenditure." He admitted that among the causes of the high level of expenditure was a growth of the real permanent wants of the country, "of wants which it is desirable to supply and to which, if you were to deny fitting satisfaction, you would be doing great public mischief." It was also due in part to apprehensions about national security and anxiety to place that security beyond doubt. Other countries were also involved in heavy expenditure, and he asked the House of Commons to note "What a race the Governments of the world are running, and at what a fearful pace (outside of England) national obligations—in other words, national deficits and national debts—are now in course of accumulation." In the last twenty years France had added 250 millions sterling to her debt, Austria 200 millions and Russia about 100 millions. During 1861 alone, he believed, the State debts of the great countries, including America, France, Austria, Italy and Russia, had risen by a sum probably exceeding 200 millions sterling.

Meanwhile, in spite of large expenditure for the war in China and other special charges, the total public debt of the kingdom, funded and unfunded, had been reduced in three years from 805 to 800 millions, and the debt charge from 28 to 26 millions. He had been accused of unwisely squandering public revenue by repealing taxes; but the

enormous reductions of indirect and protective taxation "have left our revenue from Customs and Excise actually larger than it was when we began the process of abolition and reduction." He had been looking at a new Tax Bill then under the consideration of the Congress of the United States, and he recalled the state of England when similar taxation actually existed here. To point the moral, he read a passage written in 1820 by Sydney Smith in the *Edinburgh Review* by way of warning our American brethren of what might happen if they entered into costly and protracted war. The inevitable consequences would be "taxes upon every article which enters with the mouth, or covers the back, or is placed under the foot . . . taxes on everything that comes from abroad or is grown at home . . . taxes on the rope that hangs the criminal, and the brass nails of the coffin, and the ribands of the bride." That passage, said Gladstone, told the literal truth as to England in 1820, and, "if what we now read be true, is about to be verified in a country hitherto almost, if not wholly, exempt from any internal tax for the purposes of its general government."

At the beginning of the year 1863 the Chancellor of the Exchequer found himself in a much happier position; but his Budget was diversified by two instructive failures resulting from proposals very just, very courageous, but highly impolitic.

With a surplus of more than 3½ millions, Gladstone proposed to reduce the income tax from 9*d.* to 7*d.*, and the tea duty from 1*s.* 5*d.* to 1*s.*; and on April 23rd these simple resolutions were passed without serious opposition. So far even his most critical critic was favourable. "This session, by condescending to be commonplace, he has provoked no jealousy and disarmed opposition."* But there were some minor provisions which exhibited an "uneasy industry in making experiments." There was actually a recommendation to an assembly of the most clubbable men in the world

* *The Times*, April 28th, 1863.

that a sum of £17 1*s.* should be taken from every club for a licence to sell beer and spirits to its members. For the sake of a few hundred pounds of revenue the clubs were to be assimilated to public-houses, and gentlemen, like ordinary people, were to be taxed for drinking. This unpopular, or unsociable, proposal was dropped.

But there was another and more serious item in the Budget. An end was to be put to the exemption hitherto granted to charities under the Income Tax Acts. When it became obvious that a serious blow would be levelled at comfortable dinners and social functions and pleasant privileges and family patronage, a loud outcry was raised and the Chancellor of the Exchequer was compelled to withdraw this proposal also. But his speech on the subject and his attitude towards charity and charities—he made a sharp distinction between the singular and the plural—deserves a chapter to itself, and I shall reserve the subject for later treatment.

Though he says little about the Financial Statement of 1863, Morley declares that the Budget of that year is "the record of a triumph that was complete"; and Gladstone himself thought of it at the time as the end of a chapter in public finance; for he wrote in his diary (April 16, 1863): "My statement lasted three hours, and this with a good deal of compression. It wound up, I hope, a chapter in finance and in my life." In truth, the national resources had been subjected to severe strains. There had been the strain of military expenditure, including the fortification scheme. The American Civil War and the blockade of cotton had sadly impoverished Lancashire and had diminished our export trade to the States by 6 millions. The prices of American cotton, in ordinary times about 6*d.* per lb., had risen in the spring of 1862 to 13*d.* or 14*d.* "But that price, high as it was, in the course of the ensuing autumn was about doubled; and at this very moment, as I find from the latest quotations, the price of the American cotton required for our manufacturers stands at 2*s.* and 2*s.* 1*d.* per lb."

Three successive bad seasons had caused much distress to agriculturists, especially in Ireland, where the value of the crops of oats, wheat and potatoes and other items had fallen from an average of about 39 millions sterling between 1856 and 1859 to a value of only 27 millions in 1862.

But, in spite of all these causes of depression, the Chancellor could look forward to a surplus of revenue over expenditure of £3,741,000. He disposed of this surplus by reducing the duties on tea and tobacco and by repealing a small charge on import entries and bills of lading, which he had introduced in the Budget of 1860. It had proved vexatious and he rightly decided to remove it. He also made a large remission of income tax by way of relief to the smaller tax-payers. Retaining the exemption limit at £100 a year, he adopted £200 as the point at which incomes should be brought under full pressure of the tax, and allowed all taxable persons whose incomes ranged from £100 to £200 a year to deduct £60 from their taxable income. At the same time, he reduced the general rate of income tax from 9*d.* to 7*d.*, with the result that the yield would be diminished from £10,500,000 to £8,675,000. His total estimated revenue would stand at £68,147,000, leaving a substantial surplus of £531,000. Thus the Chancellor of the Exchequer had produced a prosperity Budget during a year in which two of the most important industries of the country were suffering from severe depression.

At the beginning of the year 1864 (on January 4th) Gladstone opened a reading room for working men in Buckley, near Hawarden, and discoursed on the thriftlessness of the English as compared with the Scotch, Welsh, and French; and also explained at great length the advantages of Savings Banks, making fun of a not altogether unnatural notion which had somehow got about that the Government was opening Savings Banks in order to discover how much more taxation the people could bear.

In *The Times* of April 2nd, 1864, will be found an interest-

ing correspondence between Mr. Gladstone and a Bath clergyman who ran a friendly society "for a hobby," and wished to know whether it would be annihilated by the Government Annuities Bill. Mr. Gladstone, in reply, writing from 11, Carlton House Terrace on April 1st, said that experience must answer the question; but he specified three dangers to small self-governing assurance societies:—

> "Friendly societies will be in danger when, with the idea and theory of self-government, they allow their affairs to be in the hands of managers at a distance, whom the members can no more control than the electoral body of the country could, without the House of Commons, control the Queen's Government. They will be in danger when their rules and tables have not been beyond all doubt ascertained by competent and instructed authority to be not merely legal but wise and prudent. Lastly, I fear they will very often be in danger when they transact their business at the public-house."

The 1864 Budget was opened on April 7th. The Chancellor proposed to devote rather more than half of his surplus of 2½ millions to a reduction of the sugar duties, and at the same time to take another penny off the income tax, which was thus reduced to 6*d*. In his speech Mr. Gladstone subjected the income tax to another searching analysis. In favour of its retention as a permanent source of ordinary revenue, it might be urged that its efficacy was enormous. "I do not know any tax by which in the same degree as by the income tax you would be able to get at the vast reserved incomes of the country." On the other hand, there was to be considered the evil of inquisition into private affairs, the hardship with which the tax pressed on the lower classes of incomes, and last, but not least, its operation upon public economy. It is "most questionable," he declared emphatically, whether a return to "reasonable thrift" can be accomplished "compatibly with the affirmation of the principle that the income tax is to be made a permanent portion of the fiscal system of this country."

After the Budget, during a debate on the Borough Franchise, Gladstone declared himself in favour of extending the citizenship to the working-classes, of whom at that time only about one in fifty was entitled to vote. This declaration for democracy brought much abuse upon him, but enlarged his popularity with progressive Liberals and with the Radicals, who began to regard him as an official ally of Cobden and Bright. It also added to the curiosity of the public; and in October one of his speeches, in the Liverpool Town Hall, was considered of such importance that a summary was transmitted "by electric and magnetic telegraph" to the London newspaper and appeared on London breakfast tables next morning. The Chancellor, who was staying with his brother Robertson Gladstone, at Court Hey, defended his budget against the Financial Reform Association, which objected to the lowering of the income tax. As to financial reform generally he said:—

> "Direct taxation, I admit, if we were to proceed upon abstract principles, is a sound principle. But, gentlemen, have some compassion upon those whose first necessity, whose first duty, is to provide for the maintenance of public credit—to provide for the defences of the country —to provide in every department for the full efficiency of the public service. I wish I could teach every political philosopher and every financial reformer to extend some indulgence to those who would ascend along with them, if they could, into the seventh heaven of speculation, but who have weights and clogs tied to their feet, which bind them down to earth and render it necesary for them to infuse large dilution, large participation of secondary matter, into that system of abstract reasoning by which, it they could, they would be very glad to be guided."

In speaking of the responsibilities of extended empire, he pointed out that the price we paid was vulnerability in every part of the world; and that in the unequal association between ourselves and our Colonies, while we protected them with our Army and Navy, they, contributing nothing, were

beginning to "protect" themselves against our manufactures. At Manchester, on the following day (October 13th), Gladstone contrasted the efficiency of the free and voluntary agency employed in dealing with the Lancashire cotton famine with the results, in many respects lamentable, of the Government machinery which had been set to work to cope with the Irish famine. As to the imperial loan which he had sanctioned:—

> "In my official capacity, when a demand is made for a public grant or even for a public loan, my first impulse is to receive it with a moderate but still sensible degree of jealousy and aversion; but I can confidentially assure you that I never had the slightest sentiment of that kind in regard to the application from Lancashire. There were some, but they were Southerners and knew no better, who believed the loan was only a grant in disguise, and that when the time came there would be found to be much difficulty as to the repayment. I for one was convinced from the first that the advances to Lancashire would be regarded with the same exact fidelity as anyone among you would show in meeting a bill drawn upon you for value received."

Reforms were still needed in the representation of the people, in public administration, and in finance. "If I refer to my own department I look upon that as one in which the business of Reform can never be brought to its termination, because you know very well that where there is money there is temptation. There is temptation in the administration of public money; the principle of decay and corruption is continually at work." Never were truer words spoken by a Finance Minister.

On February 7th, 1865, Parliament was opened with a Queen's Speech, which Lord Derby described as one very proper to be addressed by an aged Minister to a moribund Parliament. Aged Minister and moribund Parliament were alike doomed; but a greater than Palmerston died before

him. Until recently Gladstone had not felt that high admiration for Cobden which Peel expressed in his famous tribute. But in the last few years, as he wrote (April 5th) to Robertson Gladstone on hearing of Cobden's death, "Ever since I really came to know him I have held him in high esteem and regard as well as admiration; but till he died I did not know how high it was. I do not know that I have ever seen in public life a character more truly simple, noble and unselfish." With Bright he attended Cobden's funeral at West Lavington on April 7th, and saw his home. "Cobden's name is great; it will be greater"; so he recorded in his diary.

Gladstone's Budgets had helped to keep Palmerston's Government afloat, and that of 1865, which was introduced on April 27th, displayed the great financier in triumph with all his calculations verified, his dreams almost realised, his reforms almost complete. With a surplus for the past year of over 3 millions, he estimated that on the existing bases of taxation the revenue for the coming year would be 70 millions and the expenditure 66 millions. So huge a surplus enabled him to make another great reduction in both direct and indirect taxation. The tea duty was lowered from 1*s.* to 6*d.* per lb.

> "This reduction, with the growing inclination and taste of the country and with the increased importation to which it will no doubt give rise, must impart a powerful stimulus to the consumption of the commodity: and will, we trust, place this most valuable and most healthful of all the commodities of the poor within the reach of the many who do not now enjoy it at all, or who enjoy it in a very limited degree."

In the Budget of 1864 Mr. Gladstone had reduced the fire insurance duty on stock in trade, and the reduction was now extended to all descriptions of insurable property. The yield of a penny in the income tax had risen to £1,300,000; but Mr. Gladstone did not shrink from a further reduction of

one-third—from 6*d.* in the pound to 4*d.* in the pound. "By giving the income tax at that reduced rate over to the hands of the new Parliament, I think we shall accomplish a double object." If it should be the pleasure of Parliament and the country "to approach the tax with a view to extinction" the tax would now be assailable; but if the view were taken that it would be wise to retain it at a low rate, "then the rate of 4*d.* is the rate at which in time of peace, and in the absence of any special emergency, we believe it may be most justly and wisely so retained."

After the Budget, interest passed from Parliament to the constituencies. The dissolution took place on July 6th, and on July 17th Gladstone heard that he had lost the seat for Oxford University which he had held since 1847. He at once hastened to contest the southern division of Lancashire, where he found himself, as he put it, 'unmuzzled.'

In South Lancashire he found a new set of conditions—developing industry, growing enterprise, progressive philanthropy, and an ardent desire for freedom. He had clung to his University he said "with desperate fondness," and to his Church with steadfast loyalty. But there could be no standing still: "if the Church of England is to live among us she must flourish and she must grow." When he turned to finance and showed how as Chancellor of the Exchequer he had succeeded, during a period of great prosperity and elastic revenues, in reducing expenditure from 72 to 65 millions, a voice came from the hall: "That's a nut for Dizzy to crack." Such was the prevailing opinion. The great majority of business men had been won over by the Budget of 1853. From that time the middle classes reposed their confidence in Gladstone. The time for desertions had not come in 1865. The enthusiasm was tremendous. People felt, as one speaker expressed it, that "they owed a deep debt of gratitude to the noble University of Oxford, which in its wisdom and in the superfluity of its learning had thought fit to dismiss a practical man from its representation." The scholar

is often better appreciated in the factory than the practical man in an academy of learning.

There were three seats in the Southern division of Lancashire, and he was elected; but two Tory colleagues were above him. On October 18th Palmerston died, and Earl Russell succeeded to the Premiership, with Gladstone as Chancellor of the Exchequer and Leader of the House of Commons. It was computed that, in the new House of Commons which met in February 1866, the Liberal administration could count on about 361 supporters against a Conservative opposition of 294.

At first all went well enough, but it was destined that the Russell Government should founder on a Reform Bill. Russell had already brought forward three unsuccessfully. He was now seventy-four, and felt that the time had come for a fresh effort to extend the franchise to the new democracy. Gladstone introduced the Reform Bill on March 12th, and it was soon attacked by disaffected Whigs; but the controversy was suspended for a time by the Budget which came on May 3rd. Another handsome surplus of nearly 2 millions had to be disposed of; for the tax revenue was increasing, while national expenditure was diminishing. With the money at his disposal the Chancellor, in pursuance of a Commercial Treaty just concluded with Austria, decided to sweep away what remained of the timber duties, an account of which may be reserved for our next chapter.

This, with a repeal of the duty on pepper, involved a loss to the revenue of £400,000. With the remainder of his surplus Gladstone proposed to operate on the National Debt.

If it were asked why he did not continue his policy of reducing the income tax, there would be one simple and sufficient answer. The yield of a penny in the income tax had now risen to £1,400,000; and the available surplus only amounted to £1,350,000. But in any case Gladstone would probably have preferred the relief of the future to that of the present taxpayer. In 1864 he was already busy converting

perpetual into terminable annuities; and it is evident from the Budget speech of that year that even then he was looking forward to a reduction of the National Debt as the true sequel to his Free Trade measures: "The National Debt appears to me to be a very formidable burden, grave and serious even in the midst of our wealth and prosperity, and likely to become even more grave and serious in its pressure, if our prosperity turned out to be less permanent and less stable than most of us are disposed to believe." His attention had also been drawn to coal by the debates on the eleventh clause of the Commercial Treaty with France (in 1860), and by his interest in the Flintshire coalfield. In the course of a speech at Mold (December 30th, 1864), which displayed an intimate acquaintance with conditions in that coalfield, he had said: "There is nothing which I, for one, should contemplate with such apprehension as the exhaustion of the mineral wealth of the country, and especially of its supplies of coal." At the beginning of 1866 Messrs. Macmillan sent him Jevons's book on the "Coal Question," in which that brilliant economist concluded from geological and other data "that we cannot long maintain our present rate of increase of consumption," and that "the check to our progress must become perceptible considerably within a century from the present time."

Gladstone acknowledged the book in a letter dated Windsor Castle, February 24th, 1866, which began:—

> "I am not certain whether I owe to your kindness or to that of Mr. Jevons, my early opportunity of perusing his work on coal; but I have perused it with care and with extraordinary interest. It makes a deep impression upon me, and strengthens the convictions I have long entertained, but with an ever-growing force, as to our duty with regard to the National Debt. I think it is a masterly review of a vast, indeed a boundless, subject."

In a later letter to Jevons of March 16th, he explained his own view, that "until the great work of the liberation of

industry was in the main effected, it would have been premature, or even wrong, to give too much prominence" to debt reduction. They were now near the point at which they might cease to make the remission of taxes a principal element and aim in finance. This new problem of the National Debt in relation to the national coal resources was taken up by Mill as well as by Gladstone, and soon produced an impression on the public mind.

Jevons's book was quoted in the House of Commons, and it undoubtedly had an immediate effect in developing, if not determining, the Chancellor of the Exchequer's financial policy. Shortly afterwards, when Professor Jevons paid a visit to London, Mr. Gladstone received him in a very gratifying manner: "was pleasant and communicative—in fact, talked so that I could get little in."

In his Budget speech of 1866, the Chancellor of the Exchequer marked the change in his financial policy with consummate skill. After preparing his hearers by an exordium of more than Gladstonian mystery, he kept them in suspense for at least an hour while he discussed the abolition of the pepper duty and the reduction of the omnibus duty to a farthing per mile. But the grave emphasis laid on these and other petty fiscal changes had a special rhetorical meaning. It was intended to enforce the main thesis of the speech, that the brilliant period of fiscal revision was at an end and a new age about to begin in which public savings should be devoted to the reduction of the National Debt. A long series of operations upon the Customs and Excise duties had relieved the springs of industry. The nation seemed to be at the height of its prosperity, and it was its plain duty, he insisted, to face the "grave and serious question" of the National Debt. Steps must be taken to reduce a burden which would weigh so heavily in case of war or of diminishing trade; and he pointed out that the latter calamity might easily come about should the country lose its pre-eminence in the cheap production of coal. It was idle, of

course, to attempt to put a duty on the exportation of coal.* He proposed, therefore, to attack the debt, and thus, so far as possible, to relieve the country of a heavy mortgage before the time arrived for the decline of its manufacturing supremacy. The attack was to be inaugurated by two operations, called A and B respectively, which were based on the principle of converting perpetual into terminable annuities. By operation A, a Savings Bank book debt of £24,000,000, which involved a charge for interest of £720,000 a year, was converted into terminable annuities. These would terminate in 1885, involving in the meantime an annual charge of £1,725,000. By operation B, further stock was to be converted; and Mr. Gladstone estimated that if his proposals were accepted, £37,000,000 of the National Debt would be cancelled by 1888.

It may seem that the argument for a more substantial sinking fund, based on apprehensions of a possible exhaustion of our coal supplies, was rather far-fetched and fantastical, and in any case there is humour and common sense in Morley's comment that to apply so very small a sum towards the annihilation of 800 millions of debt resembled the nibbling of a mouse at a mountain. To the House of Commons and to the country at large these proposed operations on the debt were mysteriously unintelligible, though Gladstone's reputation as a financier ensured their deferential treatment in Parliament even by the leader of the Opposition. But in one of his Aylesbury speeches which so delighted and tickled his farmer constituents, Disraeli allowed himself to make fun of the Chancellor of the Exchequer's proposals. What, he asked, had Mr. Gladstone done with the terminable annuities? "It was a feat of legerdemain, which exceeded any conjuring of M. Robert. He took one million and turned it into ducks, and another million and turned it into drakes;

* Though as Vice-President of the Board of Trade, Gladstone had proposed such a duty for the sake of revenue and during the Boer War an export duty on coal was actually imposed by Sir Michael Hicks-Beach.

and for half an hour these ducks and drakes flew cackling about the House of Commons, till at last we got ashamed of one another, and we ordered strangers to withdraw, and determined to keep it a profound secret until Parliament was dissolved."

Gladstone did not remain in office long enough to pass all his proposals into law. The Russell Government was defeated on the Reform Bill, and resigned. A Derby–Disraeli Government took office in July 1866. Meanwhile the war between Prussia and Austria had broken out, and supplementary estimates created a deficit which Disraeli met by abandoning a Savings Bank Bill as well as the proposals for reducing the National Debt. Gladstone, however, did not let the matter drop, and in the following year (1867) Disraeli thought it politic to adopt operation A, the first and more important half of his rival's scheme. Gladstone congratulated Disraeli on having "resisted the temptations to which he must have been subjected"; and urged that the efforts to reduce the debt should not be slackened but redoubled, and that Ministers should turn their eyes not upon Continental nations, "which were wasting their resources on what was either idle parade or, worse, a positive source of mischief," but upon the people of the United States, which believed, and was acting on the belief, that the true source and secret of future power lay in a steady and rapid reduction of the debt.

With this eighth Budget of a great series our examination of Gladstonian finance is nearing a conclusion. For though he was to hold office twice again as Chancellor of the Exchequer, his future work lay in the larger field of political and social reforms and in the control of foreign policy. He had removed nearly all the Customs and Excise duties on the necessaries of life and raw materials of industry, as well as the protective taxes on manufactured articles. Yet by keeping the indirect taxes on a few articles well suited for fiscal purposes, such as beer, wines, spirits, tobacco and tea, he

had maintained a large revenue from Customs and Excise. Trade flourished. Between 1859 and 1866 the annual value of British exports rose from 130 to 188 millions sterling. In 1866 Gladstone left the income tax at 4*d.*, and was able to say that Parliament might dispense with the tax; but if it preferred to retain it, "then the rate of 4*d.* is the rate at which, in time of peace and in the absence of any special emergency, we believe it may be most justly and wisely so retained." Of his heroic efforts for economy we shall speak later. It was the first article of his financial creed. But, as Morley so well says, he managed the finances in no niggardly spirit, though he abhorred and sternly repressed every kind of waste and superfluity. Nor, "while cordially embracing Cobden's policy of combining Free Trade with retrenchment," could he withstand "a carnal satisfaction" when the public income advanced by leaps and bounds. "Deploring expenditure with all his soul, he still rubs his hands with professional pride at the elasticity of the revenue under his management."

CHAPTER XIV

FISCAL REFORM—TIMBER AND RAW MATERIALS (1842–1866)

AT the Board of Trade in the early 'forties, Gladstone was assisted by the two Joint Secretaries, Porter and MacGregor. Both were well informed about our commerce and commercial relations, and both had written useful works on the subject. G. R. Porter's "Progress of the Nation in its Social and Commercial Relations from the beginning of the Nineteenth Century to the Present Day" first appeared in 1836, but was brought up to date in 1846 and again in 1851.* This book, a classic of its kind, throws much light on Sir Robert Peel's reform of the tariff, as well as on the previous minor operations of Huskisson, Poulett Thompson (Lord Sydenham) and others. In his last edition, Porter takes pains to show how British overseas trade extended and expanded as Customs duties were removed or reduced. "Much has been done," he wrote in 1851, "during the last few years to simplify our tariff and to reduce or abolish the duties charged upon the raw materials of manufacture"; but the work was still incomplete. Two great monopolies, corn and timber, had been maintained for the benefit, or supposed benefit, of landowners and shipowners. The first had been swept away by the repeal of the Corn Laws in 1846; the second, based upon preferential or differential duties, still existed in a modified form after Peel's revisions of the tariff. In Porter's words, "the most grievous of those two monopolies—that which condemned the people to pay more for their food than was paid by the inhabitants of other

* I edited it and brought it up to date in 1910.

countries—has at length been swept away, and there are strong grounds for believing that the duty on timber, which is essentially a raw material of the greatest importance to every branch of manufacture, must shortly be abolished also."

There are some raw materials, like cotton, jute, merino wool and silk, as well as some fruits and beverages, like oranges, lemons, bananas, tea, coffee, and cocoa, which cannot, even under the protection of high import duties, be produced successfully in Great Britain. From the standpoint of the revenue, duties on these were, and are, theoretically unobjectionable, as the whole produce of such duties over and above the cost of collection flows into the Exchequer. If, for example, a duty of one penny per lb. is levied on imported tea, the price is raised by that amount, and if the Customs officials collect a million on the penny per lb. duty, that amount represents roughly the total loss to the consumers, the total contribution of the consumers as taxpayers and the total addition to the revenue. But the absence of any protective element makes it difficult to impose or maintain taxes which raise the price of such imported foods or raw materials as cannot be produced at home, and consequently raise also the cost of production without profit to any class of home producers or manufacturers. For these and other reasons the timber duties presented much greater difficulties to fiscal reformers than the duties on raw cotton or silk, and as their final removal was not accomplished by Gladstone until 1866, I am dealing with this subject after the reforms of Sir Robert Peel and after the great Gladstonian Budgets of 1853 and the 'sixties. Both in a commercial and in a fiscal light, the history of the timber duties has a special interest; and the subject is so intimately connected with Gladstone's work at the Board of Trade and at the Exchequer that it deserves a more detailed treatment than, so far as I know, it has yet received in any of the standard books on our mercantile or financial history.

It is a mistaken notion—so Porter tells us in his "Progress of the Nation"—that the high discriminating or preferential duties on timber were originally imposed for the benefit either of our North American colonies, or of British shipowners. They were imposed during the Napoleonic Wars, partly for revenue and partly with the idea of relieving British consumers of timber from the consequences of the closing of the Baltic ports by Napoleon's decrees. The discrimination was intended to injure those countries which had fallen under French domination, and at the same time to bring in larger supplies of Canadian timber as a substitute for the cheaper and more suitable Baltic timber of which the war had deprived us. There was no idea of continuing the discrimination after the return of peace; but in this case, as in so many others, protective duties, imposed during the war for one purpose, were continued long after for another. Vested interests had been created, which fought hard, and for many years successfully, to retain their foothold at the expense of the general welfare and commerce of the country.

Before the war with France broke out, the Customs duty on a load (fifty cubic feet) of European timber was 6*s.* 8*d.* It was gradually raised to 27*s.* 2*d.* in 1806. In 1811 the rate was doubled, and in 1813 the duty was advanced to 65*s.*

Until 1798, Colonial timber was admitted free of duty, but the trade hardly existed before 1803. In the fifteen years from 1788 to 1802, we imported nearly three million loads of European fir timber, and less than twenty thousand loads from the North American colonies. After 1803, imports of Colonial timber increased rapidly under the stimulus of high prices and increasing Preference. In 1798 a small duty of 3 per cent. *ad valorem* was imposed. This was changed to a specific duty of 2*s.* per load in 1803; but in 1806 free imports of timber from the Colonies were resumed. In 1821, six years after the peace, the system was altered in order to raise more revenue, and at the same time to give some relief to our

trade with the Baltic. The rate on European timber was reduced to 55*s*., and a duty of 10*s*. per load was imposed on Colonial timber. These rates remained in force until 1840, when an addition of eighteen-pence was made to both.

This brings us to Sir Robert Peel's great reform of the tariff in 1842—the first of the four general revisions of the tariff (1842, 1845, 1853 and 1860) in which Mr. Gladstone took a leading part.

It will be remembered that Sir Robert Peel's first revision of the tariff was introduced in May 1842, and that one of its main principles was a reduction in the costs of manufacturers and farmers, to be brought about by reducing the duties on their raw materials. His first example was the taxation of imported seeds. The removal of these duties, he said, would be of great advantage to agriculture. His second example was wood; and he showed how, owing to the high duties on foreign wood, it had been re-exported to France and Germany to be turned into furniture, which was then re-exported to England. He proposed to reduce the rates of duty on foreign timber from 66*s*. 6*d*. to 25*s*. per load, while foreign deals were to be charged 32*s*. per load. At the same time, the duties on Colonial timber were to be reduced to 1*s*. per load, and on Colonial deals to 2*s*. per load. These reductions, he thought, would give a stimulus to the English furniture trade, which should be in a position to export furniture as a result. In support of his reductions, he quoted Deacon Hume's celebrated dictum, that if, in addition to its native supplies of untaxed coal and iron, Great Britain could have an abundance of untaxed wood, its manufacturers would have the three great primary raw materials of employment and necessary consumption.* If it be asked why Peel did not do more, the answer is that he could not dispense with the whole of the revenue from the timber duties, and

* During the debates of February 1843 Sir Robert Peel gave the maxim more tersely: "Make coal cheap and iron cheap, and then make timber cheap; and you will have free trade."

that there were powerful interests which would have opposed more sweeping changes.

Peel was attacked for sacrificing £600,000 of revenue for the sake of reducing the timber duties. Gladstone defended his chief vigorously:

> "Let any man," he said, "read the *dicta* of Mr. Deacon Hume; let any man read the chapter of Sir H. Parnell* on the taxation of raw materials; let any man remember that timber is the one raw material of universal necessity which we do not possess in abundance; that we have clay, lime, coal, iron, copper, tin, lead, but that we want timber; that on this article, this requisite for houses, for farms, for ships, for factories—in a word, for all the purposes of industry and construction—we had imposed a tax of more than 100 per cent. upon the value which it bore in bond; and that the politicians who pride themselves on their familiarity with economical laws accused the Minister of lavish waste of the public means when he repealed about half the obnoxious tax! Suppose we had been a coal-importing country; suppose we had wanted iron suitable for ordinary purposes, and any man had proposed to-day on the importation of them a tax of one-fourth, aye, or of one-tenth of that amount, no Minister, whatever his talents, whatever his majority, could have had the smallest hope of success in carrying such a tax."

But Gladstone had not yet done with the objectors, and one passage of his speech gives us a peep behind the old commercial barriers which had been erected by the commercial and legislative genius of the landed gentry. "The old system of the timber duties," he declared, "had in it everything that could render it noxious and improvident in its bearings upon natural wealth." It involved: 1. An enormous burden upon a raw material of the very first necessity. 2. A differential duty upon Colonial as compared with British timber. 3. A further and high differential duty upon foreign wood as

* Peel acknowledged that his new fiscal policy was inspired by Parnell's book "On Financial Reform." It is worth remembering that before his tragic death (June 8th, 1842) Parnell had twice supported Villiers's annual motion for the repeal of the Corn Laws.

compared with both. 4. An arbitrary distribution of the tax in detail, so complex that it became the work of years accurately to comprehend all the mysterious bearings and workings of the scale, and laid in a manner so unequally affecting different dimensions of wood, that the producers were forced to cut down their trees, not according to the manner in which Providence has ordained that they should grow, but according to the very different manner in which they could most alleviate the crushing weight of our duties, so that the law was actually, as regarded many descriptions of wood, for us a prohibitory law. 5. It involved the gross and, to our artisans, the very cruel absurdity, that while we exacted a duty of 100 per cent. upon the raw material of their industry, we admitted any fully-manufactured article made of that same raw material from abroad at a charge of only 20 per cent. upon its value!

In the debates which followed this exposition, it was argued that the reductions on Baltic timber would be injurious both to the Colonial timber trade and to the British shipping (estimated at 2648 vessels) employed in carrying it from the Colonies to England. Scandinavian ships, it was said, were more cheaply built and more cheaply manned than British; the wages of foreign sailors were only half those of British; hence British shipping would not gain by increased trade with the Baltic what it lost through decreased trade with the North American colonies. Other members objected to the reduction in the duties on sawn timber, and declared that the new tariff was opposed by wood merchants. The labour of sawyers in Norway and Sweden was said to be cheaper than anywhere else in Europe; they would gain a monopoly and be able to charge what they pleased. It was also asserted that the Customs officers were opposed to this change in timber duties.

These and other objections were met by Sir Robert Peel and Gladstone. Gladstone dwelt on the injustice and complexity of the existing duties, and argued strongly for the

reductions and for simplification. He quoted the authority of the Board of Customs, which held that the changes proposed in calculating the duties would not be detrimental either to revenue or commerce. He stoutly refused to abandon the proposals, and Sir Robert Peel, replying to the argument that Norway and Sweden would be able to charge any prices they liked, pointed out that vast supplies of Russian timber were in the background, and that if prices rose, Russia would come into the market again, as it had done in the past. At a later stage of the proceedings in Committee (June 6th) Gladstone had to find arguments for maintaining the discrimination in favour of Colonial timber. At that time, he pointed out, Customs duties in the Colonies were still under the control of the British Parliament, which had just imposed on the Colonial markets differential duties giving a preference of from 4 to 20 per cent. in favour of imports from the Mother Country. That being so, it would surely be unjust to refuse protection to the American colonies in respect of timber, which constituted three-quarters of their exports. As to the question whether home consumers would benefit, it had been admitted that, on a house costing £1000, there would be a saving of £40 on timber alone as a result of the new tariff. The existing duties, Mr. Gladstone argued, besides laying a heavy tax on industry, had forced the trade into channels contrary to nature. A substantial preference would remain, and the diminution was less in the case of semi-manufactured wood than of timber. The differential protection on Colonial deals had been reduced only from 36*s.* 9*d.* to 31*s.* 6*d.*; while that upon Colonial timber was to be reduced from 37*s.* to 25*s.* 3*d.* The importers of Colonial timber had nothing to complain of.

Since 1821, imports from the Baltic had risen from 98,000 loads of wood to 114,000 loads in 1841, while Colonial timber imports had risen from 317,000 loads in 1821 to 632,000 loads in 1841. With regard to battens, importations from foreign countries had risen by 144 per cent. in the same

period and by 479 per cent. from the Colonies. Imports of foreign deals had not increased, but imports of Colonial deals had multiplied more than five times. Gladstone made out a very strong case against those who held that the changes were unfair to the Colonies. The only interest that could possibly complain was the carrying trade, which might conceivably lose a little profit.

In the pamphlet already quoted, "Remarks upon Recent Commercial Legislation" (1845), Mr. Gladstone dwelt at some length on the case of the timber duties. "It is a subject," he wrote, "to try the faith of political economists. Some of them there are, who have shrunk from the sacrifice of a great amount of revenue, which they think might have been spared; and have consistently denounced the plan of 1842 as a waste of public money, while they have been friendly to its principles so far as it involved diminution of the differential duty between colonial and foreign wood. Upon the other hand, there is much to urge, besides the claim of the colony of Canada, as a colony then recently recovered from two rebellions, and the claim of the subsisting interests in the trade to be as gently handled as a regard to public objects would allow." It was impossible, he added, to maintain the old scale of duties, which were doubly differential and protective, for they protected colonial wood against foreign wood, and British-grown wood against Colonial wood. The 1841 Administration had proposed to reduce the foreign duty to 50*s*., and to raise the Colonial duty to 20*s*., thus maintaining or increasing the revenue and increasing the protection of British wood, but with little advantage to British manufacturers and consumers. Here we may remind ourselves that Gladstone, as Peel's disciple, was defending half measures, and proceeding, probably as far as it was possible at the time to go, in a direction not at all palatable to the bulk of their supporters. The full doctrine, as understood and taught by Cobden and the leading Free Traders, and afterwards put into operation

by Gladstone, may here be quoted from Porter's "Progress of the Nation":—

> "In every civilised country timber is an article of consumption of the very first necessity, and where, as in this country, our forests do not supply it in the necessary abundance, its importation should be rendered as free as possible. If, through the necessities of the Government, it should be found necessary to tax this, which may be called one of the chief raw materials of manufacture, without which, in fact, scarcely any other manufacture could be carried on, it would be some consolation to know that the tax answered its legitimate purpose, and perhaps stood in the place of some other equally objectionable impost. Owing, however, to the discriminating duties in favour of the timber of our Northern Colonies, a sum at least equal to the amount that now finds its way under this head to the Exchequer is lost to the public, its only use being to afford employment to a number of old and worn-out ships, which it would be more advantageous to the country to buy, and then break them up and sell their materials for fuel, than it would be to continue the present modified system."

However, the reductions of 1842, though only an instalment, were a move in the right direction, and proved of substantial benefit. Mr. Gladstone estimated that the reductions meant a cheapening of timber by nearly 30*s.* a load to British consumers. Consumption bounded upwards. Sir Robert Peel had estimated the loss to the revenue in the first year on this revision of the timber duties at £600,000, and in the second year at £590,000. The actual loss on the first year proved to be £714,000, and on the second year £397,000; so that on the two years the loss to the revenue was less than Peel had allowed for. Gladstone believed that the measures taken would be still further justified by experience. It was too soon, after two years, to judge fairly of their effects. In the first place, consumption had been restricted by stagnation in the building trade. In the second place, the timber trade had certain peculiarities of its own, and the changes in

the law had altered the mode of preparing deals for the British market. Further, he reminded his readers, "timber does not come here until the year after it is cut." It was evident, therefore, that "another twelve months at least must elapse before we can fully appreciate the benefits of the alterations which have been made."

Before passing to Mr. Gladstone's final operations on the timber duties, it should be added that in 1846 and 1848 further reductions were made, which brought down the duties on unsawn foreign wood to 15*s.* per load, and on foreign deals and battens to 20*s.* per load.

The rest of the story, with some account of the increasing consumption of timber, may be told in Gladstone's own words, which I take from his financial statement of 1866 (Hansard, May 3rd), when he proposed and carried the final abolition of the timber duties in connection with a Commercial Treaty between Great Britain and Austria:—

"The consumption of timber in this country is remarkable. In 1811 the consumption of timber amounted to 417,000 loads. At that time the duties were augmented, and in 1814 the consumption fell so low as 218,000 loads. However, the growing wealth of the country brought about a gradual increase; and I will pass over the long period of years to 1841, from which time the House will observe that every reduction of duty has been answered by more than a corresponding increase in the use of this essential material. In 1841 the total consumption was 829,000 loads. In 1842 the duty on foreign timber was reduced from 56*s.* 6*d.* to 31*s.* 6*d.*, and on Colonial timber from 11*s.* 6*d.* to 1*s.* The reduction only took effect in October 1842. In 1843 the consumption was 1,298,000 loads. In 1850 the consumption was 1,723,000 loads. In that year the duty on foreign timber was further reduced from 15*s.* to 7*s.* 6*d.*, and on deals from 20*s.* to 10*s.* The consequence was that, from a consumption of 1,723,000 loads in 1850, the consumption rose until, in 1859, it reached 2,408,000 loads. In 1860 we went to work again, and further reduced the duty from 10*s.* to 2*s.*, and from 7*s.* 6*d.* to 1*s.* At that time a highly respectable gentleman

from the Colonies, who represented Launceston (Mr. Haliburton), predicted that ruin would sweep down upon the timber industry of New Brunswick; but the consumption of all kinds, which in 1859 was 2,408,000 loads, actually had increased in 1865 to 3,700,000 loads, or to sixteen times the consumption of 1814. Of this augmentation the British Colonies have no reason to be discontented with their share."

It appears from the Statistical Abstract that in this year (1866), when Mr. Gladstone freed the timber trade from all taxation, the imports of hewn timber amounted to 1,492,000 loads, and the imports of sawn or split timber to 2,425,000 loads. In 1874, the last year of his first Administration, the imports of hewn timber had risen to 2,446,000 loads, and those of sawn or split timber to 3,841,000 loads. So far as I am aware, no tears were shed at the funeral of what remained of the timber duties. The country had become thoroughly cognisant by experience of the advantages of cheapness in timber. No party and no considerable group in the country had any longer a good word to say for protective or differential Customs duties. In Disraeli's biting phraseology, Protection was "dead and damned." There was no political reason why Mr. Gladstone should mince his words or use the language of apology. There were no shorn lambs to whom the wind need be tempered. Here is what he actually said: "We propose to abolish the duty on timber . . . the duty on timber is a very low duty; that is the best and only thing that can be stated in its favour. In any other point of view the duty on timber is as bad a duty as can be. It is a protective duty on a raw material of which this country stands in great want, which is of vast bulk and thus in any case made costly by carriage. The imposition of a duty [on timber], which has the effect of greatly increasing its cost, and which also (as far as it goes) has a protective character, is the very essence and quintessence of political folly."

CHAPTER XV

PUBLIC ECONOMY

ECONOMY, as readers of this book may have discerned, is a thread woven close into the texture of Gladstonian finance. If he learnt it originally from Peel, he proved himself not merely an apt pupil, but a master of surpassing power, zeal, industry and ingenuity in the art and science of impressing upon the nation, the Cabinet, the House of Commons, the Treasury and our whole public service the supreme importance of preventing waste and suppressing all superfluity in the administration of public money. To his brother Robertson, who presided over the Financial Reform Association at Liverpool, he wrote in 1859: "Economy is the first and great article (economy such as I understand it) in my financial creed. The controversy between direct and indirect taxation holds a minor, though important place." He regretted that financial reformers at that time—and it is true generally—directed more attention to raising taxes than to lowering expenditure. No doubt, if it were feasible to impose a direct income tax on every voter, we should have a powerful incentive to economical government. But at that time, as in our own day—so he felt and maintained—"the income tax has been a main source of that extravagance in government which I date from the Russian War." It was so much easier then to add another penny (nowadays another sixpence) to the income tax than to resist supplementary estimates. A Chancellor of the Exchequer can have such pleasant relations with his colleagues if he is ready to make things easy all round by giving a little more money here and a little more money there!

When I was working with John Morley on the Gladstone papers at Hawarden nothing amazed us quite so much as the correspondence with Treasury officials and colleagues on this subject, which showed us how energetically and incessantly, year after year, he directed a vigilant attention to every nook and corner of extravagance and found opportunities for savings, large or small, in every department of government. There was little need in those days for Royal Commissions or Committees to recommend reductions in the estimates. Gladstone with a few first-rate officials at the Treasury, trained under his eye and inspired by his voice, required no extraneous reports of this kind. His net swept over the whole field. Nothing was too trifling to escape criticism, nothing so great in the way of wasteful expenditure, whatever the influences behind it, to blunt his axe or to daunt his courage. Fools may laugh at some of his small economies; but experience has proved that unless pennies are saved pounds will vanish away.

In two of his finest chapters, Morley collected instances great and small of this Gladstonian spirit. Here we may make a selection, with some additions. On one occasion he appealed to the Foreign Office for economies in the stationery department. He suggested retrenchments in fly-leaves and in thick folio sheets used for docketing only. When he went to the Ionian Islands, he told members of his mission to scratch out the address on the parchment labels of their despatch bags, so that they could use the same labels when they returned the bags to the Colonial Office in London. He was rightly indignant when an officer, instead of taking the ordinary mail-boat, which would have brought him to Corfu only a few hours later, arrived by special steamer from Trieste, at a cost of between £700 and £800. Reading a letter to Mrs. Gladstone, written in the thick of preparations for the great 1860 Budget (11 Downing Street, January 14th), I found these two sentences on domestic economy: "I am *certain*, from experience, of the immense advantage

of strict account-keeping in early life. It is just like learning the grammar then, which when once learned need not be referred to afterwards." He applied this private lesson to all public accounts, and lucky was the negligent official who escaped unnoticed and unreprimanded. As Chancellor of the Exchequer—so Morley tells us—he held it to be his special duty not merely to abolish sinecures (those snug rewards of pushful placemen), but to seize every opportunity of cutting down needless appointments. Thus, hearing that a clerk in the National Debt Office was at death's door, he instantly informed the Prime Minister that there would be no need to appoint a successor. For twenty years, he wrote in 1863, every financial change of benefit to the country at large "has been met with a threat that somebody would be dismissed." At Edinburgh during a Midlothian campaign (November 29th, 1879) he gave the true answer to those who denounce small savings as unworthy of the Minister of a great and rich nation:

"The Chancellor of the Exchequer," he said, "should boldly uphold economy in detail; and it is the mark of a chicken-hearted Chancellor when he shrinks from upholding economy in detail, when because it is a question of only two or three thousand pounds, he says that is no matter. He is ridiculed, no doubt, for what is called candle-ends and cheese-parings, but he is not worth his salt if he is not ready to save what are meant by candle-ends and cheese-parings in the cause of the country."

On the same occasion he observed, in words that ought to be inscribed over every door of the Treasury: "No Chancellor of the Exchequer is worth his salt who makes his own popularity either his first consideration, or any consideration at all, in administering the public purse. In my opinion, the Chancellor of the Exchequer is the trusted and confidential steward of the public. He is under a sacred obligation with regard to all that he consents to spend." This idea that the Chancellor of the Exchequer is a trustee for the nation

ought never to be lost sight of; and it would be well if every local spending authority had an elected officer charged and imbued with similar responsibility for the local budget. Our national obligations to Gladstone for this mode of speaking and thinking and acting about public money cannot be over-stated. As Morley puts it, his long reign at the Treasury—he was Chancellor of the Exchequer under three other Premiers for ten years and himself Prime Minister for twelve years—and his personal predominance in Parliament and the country "enabled him to stamp on the public departments administrative principles of the utmost breadth and strength." His maxims of public thrift, exactitude, punctuality, resistance to every form of waste, all contributed to build up a most efficient and economical system of government.

His work at the Treasury was crowned and completed in 1866 by an audit Bill. On February 9th, 1866, we read in the columns of Hansard, "the Chancellor of the Exchequer presented a Bill to consolidate the duties of the Exchequer and Audit Departments, to regulate the receipt, custody and issue of public monies, and to provide for the audit of the accounts thereof." Gladstone explained the objects of the Bill. At that time there were still many branches of public receipt and expenditure not subjected to audit, and the whole system of audit was unsatisfactory. Some expenditure was audited by the Audit Board, which was quite right, some by the Treasury, which was quite wrong; "for the Treasury was a department for controlling, and not auditing the expenditure." Lastly, a good deal of public expenditure was not audited at all. The Government proposed a uniform plan under which the whole expenditure should be audited by the proper department—the Audit Board. If this Bill were enacted, "the appropriation audit would be carried through the whole of the public expenditure." On March 1st, on the second reading, Sir Stafford Northcote spoke in approval of the Bill, and Gladstone gave some further explanations,

after which it was referred to the Committee of Public Accounts. With slight amendments the Bill passed and received the Royal Assent on June 28th (29 & 30 Vict. c. 39).

Thus came into existence the great office of the Comptroller and Auditor-General, with an assistant and a staff of clerks, to examine and verify the public accounts. The chief officer has the independent status of a judge, and the late Lord Welby once told me that Gladstone, a year or two earlier, when he was planning this reform, sought to invest it with a proper dignity and importance in the eyes of the country by offering the appointment to Cobden, who, however, naturally preferred to remain in Parliament. Some day perhaps the Comptroller and Auditor-General may be invested with wider powers, or at least with the duty of advising and warning the Government of the day against excessive expenditure or proposals likely to endanger financial stability. Under the Act, his duties, though of the utmost value, are not concerned with policy. In examining appropriations his technical function is to ascertain "first, whether the payments which the account department has charged to the grant are supported by vouchers or proofs of payment; and second, whether the money expended has been applied to the purpose or purposes for which such grant was intended to provide."

Before closing our account of Gladstone's main work at the Exchequer, we must give one larger illustration of his high courage and pertinacity in resisting a policy of extravagance which ran not into hundreds of pounds, but into millions—the famous fortification scheme of Lord Palmerston, with all its accompanying preparations, naval and military, for the defence of the country against an imaginary French invasion. The story is told, vividly and fully enough for the ordinary reader, in a chapter of Morley's "Life" of Gladstone, and most of the correspondence between Palmerston and Gladstone has been printed recently with an introduction and commentary by Mr. Philip Guedalla.* The French panic and the

* See "Gladstone and Palmerston," London, 1928.

fortification crisis began to affect the Chancellor of the Exchequer in the autumn of 1859. The struggle began with demands from the War Office and the Admiralty (supported by cock-and-bull stories about French aggressive intentions) for enlarged estimates. Palmerston supported both the naval and the military proposals, and demanded from 10 to 11 millions for defensive works, to be raised either by taxation or by a loan. In February 1860 Gladstone told the Prime Minister in a letter that "to propose any loan for fortifications would be, on my part, with the views I entertain, a betrayal of my public duty." For some time the controversy between Gladstone and his colleagues—for he had little effective support at first even from the two or three who agreed with him—"raged at red heat over the whole ground of military estimates, the handling of the militia, and the construction of fortifications." He wrote memorandum upon memorandum, letter upon letter, against the demands of the Admiralty and War Office. He urged that any new expenditure deemed necessary by the Cabinet should be compensated by retrenchment on services which had become needless and superfluous, such as the military expenditure in the Colonies, which then cost the tax-payers at home over 2 millions annually. He laid before his colleagues the true facts about French preparations, which Cobden sent him from Paris. He compared the naval outlay of France for the past dozen years with that of England, and showed that our steam navy was at least twice as strong as the French. Then there was the French Emperor, who, as Cobden showed, was making friendship with England the hinge of his whole policy.

Several times during a controversy which lasted for several years Gladstone was on the point of resignation, and his letters to Palmerston show how severe at times was the tension. At last, in the summer of 1860, a compromise was effected which enabled Palmerston to propose and carry (July 23rd) a vote for 2 millions for fortifications. Gladstone

himself said afterwards: "I never was so abused as in 1860; but it was one of the most useful, or least useless, years of my life." At the beginning of 1861 the battle was resumed. On January 25th, Gladstone sent these few lines to his wife: "I write from the Cabinet. I am in the midst of a deadly struggle about the estimates; the only comfort this year is that I think the conflict will be more with the Navy than the Army." But on the next day a military struggle began, and he wrote again, from Downing Street: "I have had two hard days of hard fighting. By dint of what, after all, might be called the threat of resignation, I have got the Navy estimates a little down, and I am now in the battle about the Army." In February a sudden demand for a fresh naval outlay of 3 millions was made, after the scale of expenditure for the year had been settled in the Cabinet. A memorandum of approval was circulated in the Cabinet by Palmerston, but Gladstone at once circulated a counter-memorandum, in which he opposed not only this sudden resort to panic expenditure, based upon information, probably false, about the French Government's intentions, but also the device of avoiding new taxation by means of a loan. He wrote:—

> "The plan would create great alarm, and would in itself be more a danger than a guarantee for peace.
>
> "It would give rise to many and just complaints of our having deceived Parliament and the country by the recently published estimates. . . . It does not surprise me that a ship-building loan is suggested; for it was always my belief that the measure of last year [the fortifications loan], instead of remaining an exception, had the strongest tendency to become a precedent. But I am wholly unable to concur in the suggestion."

He insisted on the production of sufficient evidence to show that the French Government intended an immediate outlay of 4 millions on iron or shot-proof vessels. He had himself written to the First Lord of the Admiralty and to the Prime

Minister, soon after the Administration was formed, recommending "the substitution of work on shot-proof ships for a part of our vast expenditure on wooden line-of-battle ships, of which I doubted the utility." He agreed that the French Government was adding dangerously to its public debt. If we followed its example "we should compromise the financial strength which is the first among all the material conditions of permanent financial strength." Palmerston retorted sharply, and on March 1st, 1861, Gladstone replied, expressing his willingness "at once to place my resignation in your hands." But this letter was not sent. There is a note attached to it saying it was withheld on finding that the project started in Palmerston's memorandum "was not likely to go forward." On April 14th, 1861, Palmerston, in a letter to Gladstone, "acquiesced reluctantly in the Budget proposals," and Gladstone replied, thankfully acknowledging the "conciliatory spirit" shown by the Prime Minister.

From this time onwards, as the records of national expenditure prove, Gladstone gradually gained the mastery. He had many tiffs with Palmerston, who complained of his speeches on public platforms, and asked him not to agitate for further retrenchments under the inspiration of Radicals like Cobden and Bright. In reply, Gladstone, who was getting his way (September 25th, 1862), promised not "to agitate, as you term it, or, in other words, to act upon opinion out of doors." Two months later (November 22nd, 1862) he wrote from Downing Street to Mrs. Gladstone: "I am very fully occupied till dinner-time, but not over-worked or anything like it. My heart also is lighter about my prospects for the Session. For I believe the members of the Government are at last possessed with the belief that some retrenchment is wanted," and he looked forward to obtaining from his colleagues, with little trouble "or even by spontaneous acknowledgment," far more than what in former years "it has cost a life-and-death struggle to obtain."

The professional delight that Gladstone took in his Budgets

when the figures turned out well, is revealed in a letter to his wife, dated Hawarden, January 2nd, 1863: "Last night I made my *first* rough sketch of the Budget, for 63–64, and was greatly pleased with the look of the figures—so much so that it rather interfered with my sleep! They must, in the absence of some new and great calamity, be good: they may be *very* good."

Expenditure was going down, and now it was the Prime Minister, not the Chancellor of the Exchequer, who had to act on the defensive. But Palmerston proved a doughty antagonist, and the annual battle over the estimates was renewed quite fiercely in the autumn of 1864, this time from Balmoral, where Gladstone was staying as Minister in attendance on the Queen. Thence he wrote (October 7th) to Mrs. Gladstone:—

> "I have fired off to-day my letter to Lord Palmerston about expenditure. For a long time, though I did not let myself worry by needlessly thinking about it, I have had it lying on me like a nightmare. I mean it to be moderate (I shall have the copy when we meet to show you), but unless he concurs it may lead to consequences between this and February. What is really painful is to believe that he will not agree unless through apprehension, his own leanings being in favour of a large and not a moderate expenditure."

A month later, November 9th, 1864, he wrote again to Mrs. Gladstone from 11, Carlton House Terrace, on the same subject:—

> "After more than a fortnight's delay, I received yesterday evening the enclosed very unfavourable letter from Lord Palmerston. I send with it the draft of my reply. . . . I suppose the matter may now stand over as far as debate is concerned until next month, or even till the middle of January. . . . This sort of controversy keeps the nerves too highly strung, and makes me sensitive, fretful and impatient. I am not by nature brave, I am always between two fears, and I am more afraid of running away than of holding ground."

On January 19th, 1865, when the contest was still raging furiously, he wrote to his wife from 11, Downing Street:—

> "The Cabinet to-day has been about as rough as any of the roughest times. In regard to the Navy Estimates I have had no effective or broad support: platoon firing more or less in my sense from Argyll and Gibson—four or five more silent—the rest hostile. Probably they will appoint a Committee of Cabinet, and we may work through—but, on the other hand, we may not. My opinion is manifestly in a minority: but there is an unwillingness to have a row. I am not well able to write about other things—these batterings are sore work, but I must go through. C. Paget and Childers hold their ground."

On January 21st, 1865, in another letter about the Navy Estimates, he remarks that Lords Palmerston and Russell "really are our old women on these subjects."

After Palmerston's death (in October 1865) Earl Russell succeeded to the premiership. On October 21st, Mr. Gladstone wrote to Mrs. Gladstone: "Lord Russell, pleased with my letter, writes to say he has been commissioned 'to carry on the present Government' as First Lord—and wishes me to co-operate 'in the capacity I now fill' as a principal member of the Administration. I think that I have struck a stroke for Economy which will diminish difficulty when we come to estimates for the year."

He never forgot public economy.

It would be possible for those who dislike direct taxation, and desire to transfer the burden as far as possible to indirect taxation (*i.e.* from the shoulders of the rich to the shoulders of the poor), to find some support in Gladstone's idea of public economy; for was it not part of his theory that a Chancellor of the Exchequer should husband the resources of the State in order to lower the income tax and the death duties, and was he not in constant fear that the ease with which a million or two could be raised by adding a penny or two to the rate of income tax tended to promote public

extravagance, and that the income tax should be a reserve against war rather than an instrument in normal times for providing an enlarged revenue?

It is true that he planned (1853) to abolish the income tax altogether in 1860, and that (after it had been reduced to fourpence) he offered in 1874 to carry out his long-cherished design. It is also true, I believe, that he disliked Sir William Harcourt's death duties, which were introduced after his retirement from office. On the other hand, it must be remembered, he carried a reform and extension of the succession duties in 1853, perhaps the most intricate and difficult of all his financial measures. Moreover, those who dislike indirect taxation, and especially a protective tariff, can point out that he was a supporter of Sir Robert Peel when that statesman restored the income tax in 1841 for the purpose of reducing and abolishing indirect taxation upon trade and of removing protective and preferential duties. Peel's great work of simplifying and reducing the tariff was always held in honour by Gladstone, and he was proud of his share in it. He held that this emancipation of trade was largely responsible for the wonderful industrial and commercial prosperity of the country in the second half of the nineteenth century. Then, again, it is to be remembered that although he contemplated the extinction of the income tax in 1853, 1860 and 1874, he did in fact continue it and employed it himself for the completion of the work left half-finished by Peel in 1846.

A sound conclusion may be drawn from his famous comparison of the two fair sisters, Direct and Indirect Taxation, to whom, as he put it in a Budget speech, he, as Chancellor of the Exchequer, made his addresses. In fact, he may be said to have introduced the tradition, which lasted until the Great War, of making more or less equivalent reductions of both direct and indirect taxation when there was a surplus, and of raising both to meet the expenses of war or other emergency such as an increase in the cost of armaments, or social

services. It may be said that a good Chancellor, following Gladstonian rules, would enforce economy, balance the Budget and use surplus savings partly to relieve all classes of taxpayers, partly for the reduction of debt with a view to improving credit and effecting successful conversions.

In considering Gladstone's objectives as Chancellor of the Exchequer and Finance Minister, we must not forget his interesting argument for operating on taxes like the timber duties and the paper duties because, as they obstruct trade and raise the cost of production, their removal is likely to be more beneficial to employment and industry than a reduction of such duties as those upon beer, tobacco or tea.

Whether new taxation should be direct or indirect was for him a question of expediency and fairness. But from indirect taxation he rigidly excluded all protective or preferential elements. The whole produce of every tax over and above the cost of collection must go to the Exchequer. Nothing must be given to individual interests, and consequently if taxes were imposed on imported articles which were also produced at home, there must be a corresponding excise. Under a protective tariff the revenue gains much less than the consumer loses; under a preferential tariff the revenue is still further diminished.

CHAPTER XVI

A BRIEF SURVEY OF GLADSTONIAN FINANCE AND ECONOMY FROM 1866 TO 1894

AFTER 1866 Gladstonian finance merges in Gladstonian statesmanship. It is true that at the end of his great reform administration, which lasted from 1868 to 1874, he became for a short time his own Chancellor of the Exchequer, and in that capacity prepared a scheme for dispensing with the income tax. That scheme was quite practicable, but the Conservative Party was returned to power by the General Election of 1874; national expenditure rose, and the income tax with it; and the opportunity was lost, never to return. Was Gladstone on that occasion right or wrong? is one of the questions I might have discussed. It might be urged also that a dissertation on the finance of Irish Church Disestablishment, of Irish Land Acts, of national education, of Home Rule and of other great measures, might be relevant to the purpose of this book. But I have come to the conclusion that they would involve a disproportionate amount of space without much enlarging our conception of Gladstonian finance or of its distinctive attributes. Nay, a discursive inquiry, ranging over these and other measures, might rather tend to blur the lines and lineaments of our portrait. After all, no Prime Minister can be held wholly responsible for the measures of his colleagues and the work of all the departments of government in the sense in which Gladstone, as Chancellor of the Exchequer in the governments of Aberdeen, Palmerston and Russell, was responsible for his own Budgets and for the work of the Treasury. It is true that public economy in his strong and masterful hands controlled the spending departments during his first

Administration, and that many fresh lessons and stimulating examples for our present and future guidance may be drawn from this period. His splendid courage in submitting the Alabama claims to arbitration, the skilful diplomacy (in concert with Lord Granville) which preserved British neutrality and saved both Belgium and Luxembourg from invasion during the Franco-German War of 1870, and finally the vision and foresight that prompted him to resign rather than be responsible for the big battleship programme and inflated Navy Estimates of 1893—all these certainly concern our subject. But, with the exception of the last, they have been finely and adequately comprehended by Morley in his superb biography. Of his resignation on Spencer's Naval programme, it may be said that no more solemn warning against starting a competition in armaments, at a time when our naval strength was fully equal to any contingency, could have been addressed by the veteran Prime Minister to his countrymen. The prophetic strain of old experience fell upon deaf ears. In spite of Hague Conferences, a new and far more costly competition was soon afterwards started by the building of Dreadnoughts. Had Gladstonian precepts and warnings guided British statesmen after his death, a true policy of peace, arbitration, international disarmament, public economy and commercial reciprocity, pursued at the Hague and in the leading capitals of Europe, would have averted the greatest catastrophe of modern times; and the world of to-day might have been enjoying peaceful and progressive prosperity instead of discussing intolerable war burdens and painful remedies for national insolvency.

* * * * * *

But while avoiding any detailed discussion or narrative of the second half of his political life, it will be well worth while to glance at some of the opinions he expressed as an exponent and critic of national economy, when he was Prime Minister or Leader of the Opposition. During the campaign which preceded the General Election of 1868 and the formation of

his first Administration—the greatest Peace and Reform Government of modern times—Gladstone spoke his mind very freely on the platform, and selected very carefully the ground on which the first pitched battle between the Liberal Party under his leadership and the Conservative Party under that of Disraeli was to be fought and won. Next to the Disestablishment of the Irish Church and the removal of Irish discontent came "the vital question of taxation and finance"; and he invited Ministers to explain why, after a series of reductions in national burdens by a Liberal Government, which was not supposed to be "fanatically economical," a Conservative Government in the course of two years had added 3 millions to the permanent expenditure of the country. These additions, which extended to the Civil as well as to the Military and Naval Departments, had not, in his opinion, "been justified either by the wishes of the country or by the demands of the Public Service." He also called attention to the rise in local expenditure. The amount, the incidence, the administration and the control of local charges demanded careful consideration; and he held that it would be "just and politic to allow to ratepayers, by the principle of representation, a control over county expenditure."

For this rapid augmentation of public charges the official apology was "Efficiency." But experience had shown that, whenever there is a disposition to spend money, some great authority comes forward to pronounce that the services are not efficient; and when the money has been spent, another great authority comes forward and says the same; and so you are led round and round in a delusive circle. The plea of "Efficiency" ought not to be admitted without careful scrutiny. It was said that there were new wants to be provided for: "of course there were . . . you cannot stereotype the wants of a great Empire. New wants are always coming forward; but where there are new wants, and where provision is made for those new wants, that provision ought

to be greatly counterbalanced by new economies." Unfortunately, the Conservative Government had been precipitate in these matters: "I affirm this, that they have adopted a system which was once applied in a different sense—but the phrase is a very expressive one—they have adopted a system of what is called making things pleasant all round."

In the course of his South Lancashire campaign in the autumn of 1868, Gladstone enlarged in a weaving-shed of the Co-operative Mills at Leigh on the subject of co-operation and joint-stock enterprise. There is a shrewd, far-sighted sagacity in his observations which makes them well worthy of consideration to-day, when so much disappointment is felt at the financial results, in some cases of co-operation and in many of those large joint-stock limited liability companies in which, owing to the mismanagement of incapable directors, British investors have lost millions upon millions of their savings.

Gladstone, it will be seen, still pinned his faith to individual enterprise, individual responsibility, individual management as a general principle, though he saw in co-operation a valuable and helpful agency in improving the relations between Capital and Labour:—

> "Gentlemen, certainly one class of measures to which I look with the greatest interest for the purpose of helping in the attainment of that solution are the measures which, without removing the labouring man from the class of labouring men, nevertheless give him some of the sentiments and some of the interest of the capitalist. Do not suppose from what I have said that I am one who believes that the function of the retail tradesman, of the distributor of commodities, can be either permanently or beneficially supplanted. That I do not believe. I believe that the union of working men among themselves in Co-operative Societies may perhaps be highly beneficial as a check upon that more ordinary method of manufacture through great capitalists, and of distribution through wholesale and retail tradesmen; but that it will supplant these methods I, for one, wholly disbelieve. And, gentlemen, I think it but

fair to say two things. On the one hand, I am convinced it is only in a very advanced state of the labour or wage-earning classes that co-operation can be at all possible or advantageous to them; and therefore, whenever I see it producing locally a good effect, I rejoice in it, mainly as a proof that in that particular neighbourhood the labouring class is greatly advanced. But, upon the other hand, the risks and responsibilities of joint-stock enterprise are serious. I must own to you that although, ever since my mind was given to commercial subjects, I have been, I hope, a pretty steady adherent to the principles of Free Trade, yet I never have had that universal faith in the principle of joint-stock as distinguished from individual agency and enterprise which I believe has been entertained by many far greater authorities than myself. I hope, therefore, that the greatest caution will ever be exercised by the labouring classes with regard to the management of joint-stock enterprise; and I may add, and justly add, a like hope for all other classes. But whenever joint-stock enterprise among workmen succeeds I heartily rejoice in it, and bid them 'God speed.'"

Another plan, free from the risks of co-operation pure and simple, was to be found in those cases "where a private individual, or a limited number of private individuals in a firm carrying on their business on the principle of private enterprise, are enabled by their skill so to adjust their operations and their accounts that they contrive to give to their workpeople an interest in their profits." Yet another method of dealing with Labour difficulties to which he gave hearty and unrestricted approval was the appointment of Joint Boards of Conciliation.

The value of co-operation often occurred in his discourses in the neighbourhood of Hawarden, on his favourite topic of gardening and *petite culture*. He rejoiced, as he said once in a talk on Cottage Gardening,* to support small local societies for these purposes. They made for independence and self-exertion. To teach people to exert themselves was

* At Hawarden, August 17th, 1876.

a valuable lesson. As for those "who pretend to take your own concerns out of your own hands and to do everything for you, I won't say they are impostors; I won't even say they are quacks; but I do say they are mistaken."

On another occasion* he laid stress on the utility of fruit-growing and poultry-farming, as well as the problem of marketing. "The reason why the foreign producer gets his produce to market cheaper, relatively, is this—that foreign produce is collected and brought in such large quantities and is sent in great masses to the market. That is the secret of cheap carriage." The moral was plain. "We must try to make our pounds of produce into tons—or must bring together a number of producers. If you small agriculturists can collectively offer a great bulk of merchandise to the railway companies, they will give you good terms." So spoke the great Prime Minister to his neighbours; and by way of encouraging them to grow fruit he mentioned a recent experience of his own. "Some time ago I received from a farmer in Essex a present of twelve pots of jam. He told me that he had a farm of 250 acres, and as agricultural depression intensified, he was faced with ruin. He turned his attention to fruit culture, and after a time found his farm prospering beyond all expectation." Accordingly, he had sent a present of jam to Mr. Gladstone in token of gratitude to "one of the preachers" of the new agricultural gospel which had proved his salvation.

A few years later,† in another discourse on small cultivation, he praised the movement for allotments; but if he could choose between a good cottage garden and an allotment, he would choose the former. "Allotments are very good things; but efficient gardens of proper size are better things a great deal." For this strong preference he gave three good reasons, all based on the drawback that an allotment is usually some distance away from the home. First, when a

* At Hawarden, January 5th, 1884.
† At Hawarden, August 23rd, 1888.

man has to walk half a mile or more to his plot, he wastes time; and he can't work at it for brief spells, as he can when his plot is close by his door. Secondly, his wife and children, for the same reason, cannot help on the allotment. Thirdly, a garden under one's eye is always more satisfactory and secure than one at a distance.

Next year, at Hawarden (August 22nd) he again turned local, and consequently national, attention to fruit and jam. Fruit should be grown not only for dessert and cooking, but also because it is the raw material for manufacturing jam and preserves. There were, he believed, about sixty thousand heads of families representing a population of some hundreds of thousands, at that time in Great Britain employed in the manufacture of jam; and an immense extension was possible because of the enormous advantage we then enjoyed in having the cheapest sugar in the world. This was partly because the sugar duties had been removed, partly because many other sugar-growing countries, while protecting themselves against imports of foreign sugar, gave bounties on the export of sugar which made it exceedingly cheap in our free market. When they heard of the Sugar Duties Convention (in which it was urged that Great Britain should take part for the sake of the West Indian Colonies), he advised them to look very sharply at any plan which went in the direction of making sugar dearer. What would Gladstone have thought of spending 5 or 6 millions a year (as we now do) on subsidising farmers and companies to grow unprofitable crops of beet sugar and manufacture them in England?

In the summer after his resignation (August 14th, 1894), he once more drew attention to the importance of fruit-growing and other seemingly small branches of cultivation. The French, he pointed out, had long given a much greater degree of attention than we had to *petite culture*—the culture, that is to say, of the minor and secondary objects connected with agriculture. In these views he was far ahead of the

time. It was still thought by the great majority of farmers and landlords that British Agriculture depended for its prosperity almost wholly on getting good crops and good prices for wheat, barley and oats. But now the annual value of poultry and eggs is equal to that of the cereal crops, and dairy produce, poultry and fruit together are infinitely more valuable and important. In fact, it is probable that English cultivators on the whole benefit by a low price of wheat and feeding stuffs.

About that time Small Holdings were coming into prominence, and on August 5th, 1895, Gladstone discoursed as follows:—

> "The use of gardens, the universal provision of gardens is a matter of the greatest importance to the country. It is of the greatest importance also that other small holdings, as they are called, should be multiplied. I trust, I most earnestly trust, that the day will come, and come soon, when small holdings will be made universal. I have done what I could, when I held a seat in Parliament, to promote the passing of enactments with that view. I am no longer in a position to perform or to offer anything in that respect; for the two mystic letters M.P. are now scratched out from the place they have so long occupied after my name; but you will admit that I have earned a title to dismissal, because it is sixty-two, it will be sixty-three years in December, since I first began to write them there."

His last speech on these subjects was at Hawarden August 11th, 1896, at a local show. He discussed the increasing population of the towns and the tendency of population to decrease in some of the rural parts of the country. "Well," he said, "I am greatly opposed to artificial interference by law with the natural course of things; and I believe it is a good general rule to allow each person to judge for himself what his pursuits should be and whither he should follow them. But at the same time I earnestly desire the maintenance and increase of the rural population of the country,

and I rejoice in all pursuits that tend towards that increase. I have been a townsman most of my life; but I am a rural man, one of the country-folk now; and it is a great enjoyment to be free from the foul rivers, and the masses of smoke, and the darkness that overhangs many of our great towns, and to enjoy the scenery that is around us, the light and the air God has given us just in the way He gave them."

From this digression we return to Gladstone's first and most successful Administration.

When the General Election of 1868 was won, Gladstone did not forget his promises and his programme. He chose his colleagues carefully, and all the great reforms which he had planned were carried. In spite of wars on the Continent, and what might have become a very bitter dispute with the United States over the Alabama Claims, he kept the country at peace, maintaining by diplomacy and arbitration an honourable neutrality. He saw "a new law of nations gradually taking hold of the mind and coming to sway the practice of the world; a law which recognises independence, which frowns upon aggression, which aims at permanent and not temporary adjustments; above all, which recognises as a tribunal of paramount authority the general judgment of civilised mankind." Men marvelled at the mechanical and scientific triumphs of steam and electricity, but the greatest triumph of their time, in a loftier region, would be "the enthronement of this idea of Public Right as the governing idea of European policy; as the common and precious inheritance of all lands, but superior to the passing opinion of any."

Next to the great Act which gave the country a system of national elementary education, the most important reform of Government was the Order in Council by which, in the midsummer of 1871, all entrance appointments in the Civil Service—with the proper exception of posts requiring professional knowledge and the unfortunate exception of the Foreign Office and Diplomatic Service—were thrown open

to ability and merit so far as those qualities can be measured by public examinations. Thus the long reign of patronage and jobbery was ended. Another similar reform of great importance was the abolition of the purchase system in the Army, which Gladstone effected in face of opposition in the House of Lords by cancelling a Royal Warrant. Economy was combined with efficiency; for though the abolition of Army purchase cost a good deal of money, military and naval expenditure in 1871 was at the lowest point it had touched since 1858. National expenditure, which rose to 71 millions in 1868, was reduced to 67 millions in 1870 and 1871. In 1874 (including a payment of £3,200,000 for the Alabama Claims) it was only £74,604,000, in spite of the great social and administrative improvements which had been effected, and in spite of a rapid growth in national wealth and national income.

In 1871, while acknowledging that much had been done by the steam engine and the telegraph—advantages which Britain shared with other countries, Gladstone maintained in a speech at Wakefield that Free Trade—an advantage not possessed by our competitors—aided no doubt by public economy, had been the main agent in raising the commerce of the United Kingdom to its extraordinary position of supremacy: "I apprehend that I am stating the matter very moderately if I put it thus: that in the course of the last thirty years our population has increased somewhat about 25 or 30 per cent. while our trade in the same period has increased at a ratio of something certainly not much under 400 per cent." Between 1850 and 1870 the total value of our exports rose from 89 to 243 millions.

To us to-day, with a standard rate of income tax of 6*d* in the pound, it seems amazing that Mr. Gladstone was able to reduce it to threepence in the pound in 1873, and to propose its complete abolition in the following year. But in those days of rapidly growing prosperity and expanding trade the country was being governed at about one

twelfth of the present charge, and all branches of the revenue had responded with natural elasticity to the growth of consumption and the rise of profits and wages.

Disraeli and Northcote started the Conservative Administration of 1874 to 1880 by reducing the Income tax to twopence; but expenditure soon began to rise; wars and preparations for war piled up the bill, and in 1879 Gladstone began to expose the results of an extravagance which, as he said, "bubbles up everywhere." In the five years down to 1874 his own Government had achieved five surpluses aggregating 17 millions, and had remitted on balance over 12 millions of taxes. The Conservative Government's deficits aggregated 6 millions, and it had imposed over 5 millions of additional taxation.

Gladstone's second Administration (1880 to 1885) was less fortunate than his first. Troubles in Ireland, fierce obstruction by Nationalist members under Parnell in the House of Commons, wars in South Africa, Egypt and the Sudan all contributed to its difficulties. At first expenditure was reduced from 83 millions in 1879 to just under 81 millions in 1881; but after this it rose irregularly to 89 millions in 1885. For the first three years Gladstone combined his old office of Chancellor of the Exchequer with the Premiership. In 1880 he found means to abolish the malt duty, one of the farmers' grievances, making up the loss of revenue by adding a penny to the income tax and by imposing a duty on beer. Next year he was able to reduce the income tax again to five pence by adding to the spirits' duty and making changes in the probate and legacy duties. In the last of his Budgets, that of 1882, there were no changes of importance except an addition to the income tax, and in December he handed over the Chancellorship of the Exchequer to Childers, who raised the income tax in 1885 to what was then considered the high rate of eightpence in the pound, at which rate it yielded £15,720,000. This rate was levied on all incomes exceeding £160, with an abatement of £160 on incomes exceeding

£160 but not exceeding £400. There was also an abatement of £100 on incomes exceeding £409 but not exceeding £500.

After 1885 the Home Rule controversy absorbed the greater part of Gladstone's energies, but his restraining influence over expenditure continued, and it cannot be said that the growth of the National Budget was out of proportion to the growing wealth and income of the nation. In the first year of his last Administration, 1892–1893, the total expenditure of the country was 90 millions, and income tax was levied at the rate of sevenpence in the pound. The National Debt, after deducting estimated assets, had been reduced from £838 millions in 1842 to £813 millions in 1861, to £713 millions in 1886 and to £635 millions in 1895 after the fall of Lord Rosebery's Administration, and two years before Gladstone's death.

Meanwhile, the overseas trade of the country had shown a prodigious expansion. We have correct figures for comparison of both imports and exports in the Statistical Abstracts of the Board of Trade from 1854 onwards. In 1854 our total imports were valued at 152 millions, the total exports of British manufactures and produce at 97 millions and the total re-exports of foreign and colonial produce at 18 millions. In 1894, the year of Gladstone's retirement from public life, our total imports were valued at 408 millions, the total exports of British manufactures and produce at 216 millions and the re-exports of foreign and colonial produce at 57 millions. Lastly, it may be added, in the second half of the nineteenth century the net tonnage of our mercantile marine rose from 3,565,000 to 9,304,000 tons.

CHAPTER XVII

GLADSTONE'S CHARACTER AND METHODS

THOSE who would understand the character of Gladstone in its fulness and majesty must read his life in the pages of John Morley—friend, disciple and favourite colleague during the great Home Rule Controversy. But character and methods cannot be omitted from this book. They are parts of the record. Mr. Henry Neville Gladstone has contributed a chapter of personal recollections, and the appreciation by Sir George Murray gives an intimate impression of the great man and of his capacity in public business.

Those who have followed our recital of Gladstone's achievements may often have stopped to ask wonderingly how a single human being could have done so much.

Undoubtedly one secret of the amazing power wielded by Gladstone lay in the strength and moral fortitude of his character. This was the mainspring of his public spirit and of all the energies and activities that proceeded therefrom.

One of his favourite secretaries, Sir Edward Hamilton, gave me in 1898 a little book entitled "Mr. Gladstone: A Monograph", written, as he said, to describe, while his impressions were still fresh, some of his old Chief's powers, characteristics and accomplishments. He had known Gladstone for nearly forty years, and having been so long under the glamour of so great a personality, felt that he might unconsciously have lapsed "into undue eulogy." But only the very best men are heroes to their secretaries and intimates; and of Hamilton's fidelity to the truth as he saw it there can be no question. He lived at close quarters and on

the most intimate terms with the statesman whose qualities he describes, and all his words ring true. In speaking of the moral and intellectual powers with which Gladstone was endowed, Hamilton wrote:—

> "Those powers were, indeed, singularly great; but that which was most remarkable about him was not so much that he was unique in one particular respect or unrivalled in another, as that he combined so many splendid qualities —quickness of comprehension combined with patience of investigation; fervent enthusiasm and energy combined with vast experience and industry; administrative and initiative capacity combined with constructive genius; deep religious conviction combined with strength of character; oratorical powers with powers of exposition; nobility with simplicity; high-mindedness with humility; concentration with versatility; courage with resourcefulness; courtesy with dignity; and dogged determination with heartfelt sympathy. It was this extraordinary combination of faculties—possessed in a pre-eminent degree by one individual—that gave Mr. Gladstone the commanding position which he held in State affairs, the sway which he exercised over his fellow citizens and the high place which he won in their affections."

Only those who, like Sir Edward Hamilton or Sir George Murray, had official intercourse with Mr. Gladstone could gauge the administrative capacity which he showed while holding high office under the Crown. Hamilton tells us that neither Gladstone's capacity nor the zest and assiduity with which he applied himself to public business could be surpassed. Decision combined with sound judgment in a Minister constitutes the root of good administration; there must be no timidity about consequences; he must be ready to take on himself unlimited responsibility; he should be able and willing to master details, however dry or technical, in order to gain a thorough knowledge of the business in hand. There should be mutual confidence between himself and the heads of his Departments; he should be critical, but not hypercritical, towards their work. "He should be re-

sourceful and suggestive. If one solution of a knotty point is not successful, he must be ready with a second." Another faculty required of a great Minister is that of discharging public business with promptitude. He should keep up to time with his work, and be punctual with his appointments, to avoid waste of time. He should be easily accessible, and not too busy to attend to business. A strict disciplinarian, he should not lack consideration for others or be unmindful of their convenience; for a good master makes a good servant.

All these qualifications for success, so we are told by Sir Edward Hamilton "were possessed in a marked degree by Mr. Gladstone, who, moreover, combined with them a high sense of honour and duty"; and thus he not only gained the confidence of those who served him, but inspired them with zeal, loyalty and enthusiasm. "One of the secrets of this inspiration was that, while he was more than ordinarily exacting, or (to use his own words) 'a ferocious master', he was ever ready to mete out, perhaps too lavishly, commendation to those who had done what he considered to be meritorious work. He was free with his criticism. But it was not all criticism, and no approval. He never hesitated to award praise where praise was due, any more than he hesitated to resort to censure when, in his judgment, there has been negligence or want of intelligence."

Those who, like his private secretaries, were in close contact with Mr. Gladstone, hardly ever found him cross. His temper was wonderfully under control. A highly-strung, nervous temperament sometimes made him irritable under the worries and trials of his second Ministry, but "he was seldom heard to say a hasty word, and never heard to use coarse language." His impatience under delay proceeded from an impetuous nature. When times were out of joint, he was singularly calm and self-possessed. Sir Edward Hamilton saw him on the morning after the first Home Rule Bill had been rejected by the House of Commons in June

1886. It might have been supposed, he remarks, that "anyone venturing to intrude upon him that morning would have found him vexed, if not angry, and mortified if not morose." But Mr. Gladstone was, on the contrary, perfectly self-composed, quietly reading a novel, which seemed to interest him more than the result of the division on the previous night. "He put his book down with quite an effort and did not exhibit the smallest symptoms of anger or resentment." His only concern seemed to be for Ireland, whose lot he had hoped to make happier by giving the people political contentment.

Sir Edward Hamilton was Gladstone's secretary from 1880 to 1885, when age had diminished his powers of work, and he found it necessary to nurse his strength. Even so, his industry and activity were marvellous. However late he was kept in the House of Commons, he seldom rose later than nine. After breakfast he would read the newspapers and any book he had in hand until eleven, when his official day began. Then he would appear in his official room, interview the Chief Whip, and dispose of his papers and correspondence, which by then had been reduced to a manageable form by his private secretaries. He would also see visitors by appointment, but resented unexpected intrusions, and when they occurred his face "would assume a very black look." After luncheon he took a short drive or walk, and presented himself at the House of Commons in the nick of time to answer questions addressed to the Leader, which he had arranged should be placed at the end of the list on the notice paper. Then as a rule he would go back to the Treasury Bench until eight, when he returned home for dinner. After dining, he usually drove back to the House, and stayed till the end of the sitting, when he almost invariably walked home, and "without a moment's dawdling" would retire to bed. However exciting the scene he had quitted, "his power of falling asleep almost at once rarely deserted him—a power which he counted among the prin-

cipal blessings of his life." Like Sir Robert Walpole, he put off his cares when he put off his clothes.

To confirm what Hamilton has said we may turn to another unimpeachable source.

In the recently published "Reminiscences of Lord Kilbracken,"* who, as Arthur Godley, became principal Private Secretary to Mr. Gladstone when he formed his second Government after the General Election of 1880, there are several passages which bring out with admirable clearness the character of Mr. Gladstone as it impressed itself upon one of the ablest members of the Civil Service.

"I had," he writes, "relations with him which enabled me, as I think, to know him thoroughly, and I must say at once that the more I knew of him, the more I admired him. It will be understood that I am now speaking of him as a man, and not as a statesman; when one came to know him really intimately, the man was everything, and his connection with politics became secondary and incidental. I certainly was, as will be seen, no blind admirer; from the first I approached him with an eye which would have been perfectly ready to detect flaws in his character, and I was perhaps rather sceptically inclined. But the more I saw of him—and for many years I was so completely behind the scenes that I am sure no serious fault could have escaped me—the more amazed I was at the nobility and purity of his character; a character which was thought by many to be complex and obscure, but was in truth (to use a phrase of R. L. Stevenson's) 'radiantly simple.'

"The essential fact was the extraordinary intensity and vehemence of all his impulses. If we think for a moment of human beings as actuated by an internal force measurable in units of horse-power, and if we take the figure of an ordinary man to be 100, and that of an exceptionally energetic person to be 200, then Mr. Gladstone's horse-power was at least 1000. And this tremendous force could be turned on in any direction and for any purposes great or small; to use the well-worn simile of the steam-hammer,

* London: Macmillan & Co., 1931.

it could break a bar of steel or crack a nut. The various and innumerable motives which impel ordinary men sluggishly and feebly towards their respective aims and objects, were in him fiery swords, driving him with almost irresistible force towards the goal on which for the moment his whole mind was concentrated. This, I have said, was the essential fact—the extraordinary strength and vehemence of his impulses; but what was equally important was that he possessed, in a no less unusual degree, the power of self-control and self-discipline. He had early in life formed his own ideals, which were of the highest and noblest kind, and with a view to their attainment he had laid down rules for himself; this, I believe, many people do, but what was remarkable about Mr. Gladstone was that he strictly observed the rules that he had laid down. The result of this was that the violent impulses, which to so many men bring ruin, were by him tamed and controlled, and turned into serviceable and sustaining forces. Now and then for a few moments and on rare occasions they were allowed to show themselves. . . . But such incidents were almost unknown in later years, and I myself never witnessed one; only from time to time a few fiery sparks gave a reminder of the volcano within him. And it is hardly necessary to add that this intense natural vehemence, thus effectively curbed and guided, was the secret of his ascendancy, and of the unbounded enthusiasm which he kindled in nearly all who knew him, and in many hundreds of thousands who had never seen his face or heard his voice.

"Such was the control which Mr. Gladstone had established over his naturally strong feelings that he sometimes, to those who did not know him well, appeared to be hard-hearted or indifferent, whereas nothing could possibly be further from the truth. He felt most keenly and acutely, but he considered it a strict duty not to indulge in useless grief or worry, but, if and when nothing practical was to be gained by dwelling on a misfortune or a loss, to put it aside and to return as far as possible to the ordinary round of duties and relaxations.

* * * * * *

"I have been told that many years ago, when a great sorrow came upon him in the death of one of his children at a very early age, he was for some hours in a state of such

violent grief as to cause positive alarm to those around him. Then suddenly, his sense of duty got the upper hand; thenceforward he was perfectly calm, and returned in all respects to the demeanour and habits of his everyday life."

Lord Kilbracken sums up his character of Gladstone in words carefully weighed and finely chosen:—

"As a man Mr. Gladstone was in a class by himself. He was an extraordinarily good man, but I think I may have known others as good; his intellectual gifts were wonderful, but for pure intellect I have known others whom I should place as high, if not higher. What differentiated him from the rest of the human race was, first, the combination of these qualities with the stupendous driving power of which I have spoken; second, the stern and effective control which he maintained over this mighty force; and, third, the amazingly serviceable quality of his mind, which was always at his command, always rose to the occasion, and unfailingly supplied him with an endless flow of thoughts, arguments and words upon any topic under heaven with which he had to deal. There were, perhaps, some spheres of thought in which he did not move easily or freely, but they were such that he very rarely had to concern himself with them; and in quickness of apprehension and insight into the heart of a difficult matter, provided that it was one that came within his normal field of vision, he was unrivalled. . . .

* * * * * *

"I end as I began, by saying that as a statesman Mr. Gladstone was very great, but a mortal; he had superlative gifts for that kind of work, but he had the 'defects of his qualities,' and perhaps some others into the bargain. It may be said of him, as is said of Œcumenical Councils in one of the Thirty-nine Articles, that he 'might err, and did sometimes err,' being no more than human. But as a man, and in respect of what the same Article calls 'the things pertaining to God,' he was, as I have said before, in a class by himself, and it is as a man, and not as a statesman, that all who knew him intimately must always think of him with unbounded admiration and affection."

After thus characterising Gladstone as a man and as a

statesman, Lord Kilbracken tells us of the confidence he reposed in a favourite secretary.

"In his relations with his principal Private Secretary—I speak, of course, from my own experience—he was as delightful and charming as it was possible to be. He kept one or two drawers in his desk locked with a key of his own, and about their contents I was supposed to know nothing, though as a matter of fact he was not very secretive even about them, so far as I was concerned. Subject to this single exception, he treated me with complete confidence. As to political matters, he used to talk to me exactly as if I had been one of his colleagues in the Cabinet, or, I should rather say, far more openly than he did to most of them, and documents of all kinds, whether personal or political, with the exception aforesaid, were open to me, and nearly all were under my care and in my keeping. This was an essential part of his scheme for getting the maximum of help out of his subordinates; it saved him an infinity of time and trouble, and of course I, knowing everything, was far better able to serve him and to anticipate his wants and wishes than I should otherwise have been. Moreover, it was often a great comfort and relief to him to have someone to whom he could talk quite openly about the things that were on his mind. . . . Many and many a time, as he sat at his desk and I stood at his side, I have seen him warm up over a subject, turn half round in his chair towards me, and, with all the intonations of voice and many of the gestures which he would have used in the House of Commons deliver a speech of five minutes, ten minutes, or even more, ostensibly for my sole benefit, but really for his own, his happiness depending largely on a free use of the safety valve. Many of these impromptu speeches, if they could have been reported would have ranked among his best performances; he spoke on such occasions just as he spoke in the House of Commons, without any conscious effort, merely pouring out the thoughts that arose in him, and automatically clothing them in the most forcible and appropriate language."

Lord Kilbracken's official post gave him an intimate ac-

quaintance with the Premier's habits and methods in dealing with the daily routine of a Minister's life. His holidays, we are told, were invariably spent at Hawarden. While there Gladstone carried on the business of his office by means of large pouches sent to him from London, and usually disposed of by him and despatched by return of post. Lord Kilbracken speaks of him as "a supremely good official; certainly the best I have ever had to do with."

> "He had thought out numerous methods of saving time and trouble in office work, insisted on their strict observance and observed them strictly himself. This was part and parcel of his passion for economy in all the departments of life; economy of money, no doubt, but economy of time and of everything else as well. I cannot remember that I ever saw him for a minute unoccupied; but it would be a great mistake to suppose that he never allowed himself time for thinking. On the contrary, this was systematically provided for, and was done mainly out of doors, as he walked, or at times when his hands and eyes, but not his mind, were necessarily employed, as for instance when he was dressing himself. I have seen him sit still and silent to think out some specific matter, but this was rare."

Gladstone's implicit trust and confidence in his secretaries enabled him to delegate to them much of the routine work which would otherwise have occupied his time; nevertheless, he managed to keep an eye on everything that went on, and scarcely any matter, however small, was transacted without his knowledge and approval. He laid down rules for the treatment of his letters:—

> "They all passed," writes his Private Secretary, "before reaching him, through our hands, and certain specified handwritings, such as those, for instance, of near relations, or of his colleagues in the Cabinet, were respected by us, as were also envelopes which bore certain marks or signals. Otherwise we opened everything that came addressed to him, folded the letter in a prescribed shape, and wrote on the outside of it—using a cover or 'skin' of

paper if no sufficient space was left on the letter itself—the date, the name of the writer, and a short *précis* of the contents; adding sometimes a mark which showed that in our opinion he ought to read the letter himself and not to be content with our *précis*. This advice he invariably followed; but in the absence of that mark I believe he read very few indeed of the letters that were addressed to him, trusting entirely to our account of their contents He would then write, immediately below our *précis*, a short minute instructing us as to the nature of the reply to be sent; but occasionally, of course, he answered a letter with his own hand, or else adopted a course peculiar, I believe, to himself. He would write on the letter itself, or on its 'skin,' the usual instructions for a reply, and would return to us, with the letter, a sheet of notepaper on which he had written what he called 'a head and tail'—that is to say, a beginning, 'My dear Sir' (or whatever it might be), and an ending, 'Yours faithfully, W. E. Gladstone'; between these two fragments he would leave a blank space, sometimes of two or three pages, which he calculated would be enough for what he had instructed us to say, and we had to fit it in accordingly; not always an easy job. A more signal proof of confidence in his secretaries he could hardly have given."

His letters, when the secretaries had treated them in this manner, used to be brought up to him after breakfast, and "he would get through them with incredible speed, but without the smallest trace of carelessness or undue haste." Only letters of some interest, either personal or political, were presented to him each day; the rest were allowed to accumulate—though docketed in the same way—for a week or so, at the end of which time he would often dispose of a bundle, containing two hundred or more, in the space of quarter of an hour. "The rule was," writes Lord Kilbracken, "that we were not to deal with any letter, however trivial or insane, unless it had thus come under his eye; but in practice this law could not be quite strictly observed."

Gladstone's habit of attending strictly to business, and concentrating wholly on the subject that for the moment ab-

sorbed his attention, rendered his manner at times rather alarming to those who did not know him well. Lord Kilbracken relates how on a certain occasion he wanted to ask leave to go away for a day or two, but experienced some difficulty in waylaying Gladstone to obtain his permission. "I chanced, however," he says, "to meet him at the top of the staircase in Downing Street, and he ordered me to do something for him—I forget what it was, but it was no doubt rather urgent and important. I acknowledged his command, and was proceeding to make my petition, which would have been a matter of less than five seconds; but he instantly cut me short, saying in a stern voice, and with one of his well-known awe-inspiring glances, 'Do it at once, please.' Luckily I already knew him well enough to be aware that he was not really angry, but merely in a hurry, and, as usual, completely absorbed by, and concentrated upon, the subject that was occupying his mind."

It would be, I feel, presumptuous, if not superfluous, on my part to say much more; but from long talks I have had with officials of the Treasury who worked under him, or political economists like the first Lord Farrer, Leonard Courtney, George Shaw Lefevre, Lord Welby and some others who knew him well, I shall venture to add a paragraph or two on his unrivalled mastery of public finance in all its complexity down to the minutest details.

There is a story that when Lord Derby offered him the Chancellorship of the Exchequer, Disraeli excused himself on the ground of his unfamiliarity with finance; to which Derby replied that the civil servants in the Treasury would supply the figures.

Probably most of our Chancellors of the Exchequer have been more or less dependent, not merely for their figures and estimates, but for their devices to make both ends meet and for the main provisions of their Budgets, upon the industry and ingenuity of their Treasury officials. But Gladstone's Budgets were his own. His was not only the master

mind which decided the main features of the Budget; he went also into the minutest details and scrutinised all the available figures as eagerly and closely as a great business man on entering a new venture. I have met a good many of those who were associated with him in the Treasury. With one of his most trusted officials—the late Lord Welby—I was on the most intimate terms. Lord Welby told me more than once of Mr. Gladstone's almost passionate interest in the figures of revenue and expenditure towards the end of the financial year, when the size of the deficit or surplus was still in doubt, and the prospects upon which the estimates for the coming year would be based were only just beginning to be clear. Neither Welby nor any other official who worked for Gladstone ever suggested that Gladstone was unfamiliar with any branch of public finance, or that he had any difficulty in handling figures. He was receptive, ready to listen, open to argument, but complete master of technique, ingenious, resourceful, never leaning on others because he was confident of his own powers. He had a perfect comprehension of every part of every Budget. His mastery of the details was as amazing as his mastery of the principles of public finance. I have never heard that he delegated any part of his responsibilities to the official subordinates in whom he confided his plans. The financial papers he has left behind, most of which passed through my hands when I was working for Morley in the preparatory stages of the biography, prove conclusively (what might indeed be inferred from his Budget speeches and from his observations on technicalities of finance in Parliamentary debates) that he was in the habit of looking into every corner and crevice of the financial edifice which he, its chief architect, kept in such exemplary order and repair. His mastery of the subject and full initiation into all the mysteries of Customs, Excise and Inland Revenue appear not only in his letters and memoranda on commercial policy when he was working in Peel's Government at the Board of Trade or expounding

finance as Chancellor of the Exchequer in later administrations, but equally when, on the Opposition benches, he was criticising the Budgets of Disraeli, Cornewall Lewis, Stafford Northcote and Goschen. His vast experience was also, it may be remembered, at the disposal of Robert Lowe, Childers and Harcourt, when they were serving under him at the Exchequer in his first, second, third and fourth Administrations.

In looking over some of the Gladstone papers I came upon a memorandum written in his own hand on 'Reduction of National Debt.' It is dated, March 15th, 1880, and discusses the reductions of debt claimed to have been effected by the Beaconsfield Administration.

The claim was that "in the last six years" the Funded Debt had been reduced by 13 millions, and that the Terminable Annuities showed a net reduction in value of another 13 millions, making 26 millions in all.

"But," noted the remorseless critic, "the Unfunded Debt has been increased by a similar amount, of which, however, 20 millions are stated to be in the nature of a new asset.* The deficits of 8 millions are taken into account in the above result. They have been *met by loans* included in the increase of the Unfunded Debt, *i.e.* had there been no such deficits, the Unfunded Debt would only have been increased by 18 millions instead of 26 millions."

In another paper † on the same subject he starts a series of searching questions with the statement:—

"1. The Chancellor of the Exchequer has left the gross total of the National Debt (in 1880) where he found it [*i.e.* in 1874].

2. But he shows 20 millions of new assets created.

3. Therefore he says I have reduced 20 millions of debt, for I have *lent* 20 millions without adding to the debt.

* Suez Canal shares.

† On which he writes "round numbers used all through."

4. Where did he get the 20 millions? Answer, he borrowed it—generally for account of unfunded Debt."

Probings like these are only samples of the inquisitive and researchful explorations that he would make wherever, or whenever, he had reason to suspect political and financial subterfuges.

Let me now give an example of his persuasiveness as an orator.

In February 1867, at a dinner in Paris given in his honour by the French Society of Political Economists, he took for his subject Great Britain's experience of progress from a highly protective and prohibitive system to a system of Free Trade. In the course of his argument he said:—

"Will you forgive me, gentlemen, and will you acquit me of presumption, if, before I close, I lay before you the latest results of our experience? We have advanced far in the process of liberating trade. The efforts and legislation of a quarter of a century have reduced our tariff from twelve hundred articles, it may literally be said, to seven. Of those seven, there is one which, light as the duty is, I cannot justify or defend. It is the duty on grain. The others are duties levied only to meet the necessities of the State, and they include no protective element. Gentlemen, for this comparatively advanced condition I do not say that we deserve any credit whatever. We set the nations of the world a bad and pestilent example by building up through generations a protective and prohibitory system in all its rigour. We may thus, as teachers, have lost all title to be heard. Nevertheless, having mended our ways, we are anxious that other countries too should profit, if not by our precept, yet by our example. For this purpose I boldly refer to matters of fact; and I do not scruple, gentlemen, to assure you, as matter of fact established by our experience, that the road of free trade is like the road of virtue; the first steps are the most painful, the last are the most profitable. If it be good to abolish prohibitions, and substitute protective duties; if it be good to pass from high protective duties to those which are moderate, and again from the moderate to the low,

yet there is one more step to be taken—*it is to abolish such duties altogether; and, believe me, it is the best of all.* As long as a duty of this kind remains, it is, after all, a question only whether the chains laid upon human industry and skill shall be heavier or lighter; but there they still remain. And do not let us fall into the sophism which would persuade us that the extinction of a duty is of necessity a loss to the State. The State abolishing duties which fetter industry finds its compensation in an increased return which the augmented wealth and activity of the country supplies from less exceptional sources. And most earnestly do I hope that France, which has gained such rich and surpassing distinction in almost every field of human excellence, will add this one to her triumphs, and will achieve this complete emancipation alike for her own strength and glory, and for the benefit of mankind."

Unhappily for these hopes, there came three years later the Franco-German War, which shattered, among other good things, the Anglo-French Commercial Treaty of 1860, and deprived French economists of their influence.

Another specimen of his skill in presenting a commercial and economic argument may be taken from a speech about 'Fair Trade' which, as Prime Minister and Chancellor of the Exchequer, he delivered in Leeds on October 7th, 1881. There was a serious depression of trade, and lack of employment had been causing much distress in many industrial districts. Exports had declined, owing, it was said, to the pressure of foreign tariffs. To remedy this state of things "an institution has been formed with the imposing name of 'the National Fair Trade League.'" It bore "a suspicious likeness to our old friend Protection," who was "dead and buried thirty years ago." A Mr. Eckroyd, the protagonist of 'Fair Trade,' had described his scheme in an article which Mr. Gladstone dissected with humorous severity. "He wants a good lump of duty put upon foreign manufactures; he wants a duty of five shillings a quarter on corn," not, however, for 'Protection,' but in the name of 'Fair Trade.' On

examining the Fair Trade system of Mr. Eckroyd, Gladstone found that one of its reasons for taxing foreign manufactures was in order to induce foreign countries to untax British manufactures. There was a great Christian precept that if a man strike you on one cheek, you should turn to him the other also. But Mr. Eckroyd and the Fair Traders had considerably exaggerated this precept. Their version of it was: "if a man smites you on one cheek, you should smite yourself on the other also." That was the essence of Retaliatory Tariffs.

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The question has been asked:—"Was Mr. Gladstone an originator in finance?" It is a question which may be answered with either a Yes or a No—a Yes if we restrict our conception of originality to boldness of design, foresight, imagination and a wonderful ingenuity in providing, by a series of popular budgets, for the needs of business, the wants of the poor and the solvency of the State; a No if we ask for some great discovery or invention in the field of revenue and taxation. No mind so fertile in good expedients can be found among our Chancellors of the Exchequer. Pitt, it is true, introduced the income tax; but he borrowed the idea from Adam Smith, and whatever merits he can claim for this and his early reforms of the tariff are sadly diminished, if not demolished, by the multitude of abominable and unproductive imposts with which he loaded taxpayers and consumers during the war with France. Peel is a more serious competitor; and it would be difficult to overpraise the vision, courage, strength of purpose and financial sagacity which directed Goulburn's Budgets in the early 'forties of the nineteenth century. But as Chancellor of the Exchequer, no predecessor, and so far no successor, has rivalled Mr. Gladstone. His supremacy is as undisputed in this office as that of Adam Smith among political economists.

A Chancellor of the Exchequer, be it remembered, has to

operate with a freedom limited and circumscribed by political and economic obstructions of all sorts and kinds. He is encumbered by the clogs of earth. He has to persuade the Cabinet; he has to carry the House of Commons and the country with him. He does not enjoy the liberty of a political economist whose pen may propound any theory or any remedy without troubling about times and circumstances. Adam Smith showed why it would be a good thing for England to adopt complete Free Trade, but he saw no prospect of its accomplishment. Then, after the French Wars, came a number of public-spirited men—writers, debaters and orators like Joseph Hume, Ricardo, Sir Henry Parnell and, above all, Cobden and Bright—who converted public opinion and created an atmosphere in which statesmen like Peel and Gladstone could enforce administrative economies, and were enabled by this means, with the aid of the income tax, to accomplish in twenty years what Adam Smith had deemed well-nigh hopeless.*

If we take four names—Adam Smith, Richard Cobden, Peel and Gladstone—we may say that they formed (with a host of valuable auxiliaries) a combination of originality, courage and character more powerful in the sphere of public economy and finance than any great nation has ever possessed. It is to this unique combination that England mainly owed its emergence from misery, poverty, stagnation and discontent to social progress, rapid industrial expansion and widespread prosperity.

* After devoting many pages to the advantages of commercial liberty and the evils of protection and restriction, Adam Smith remarked (1776): "To expect indeed that freedom of trade should soon be entirely restored in Great Britain is as absurd as to expect that an Oceana or Utopia should soon be established in it."

CHAPTER XVIII

CHARITIES AND CHARITY—THE GOSPEL OF WEALTH

GLADSTONE had pondered over the subject of charity and charities and post-mortem bequests long before Mr. Carnegie embarked upon the business of philanthropy. In 1863 he had included in his Budget a clause subjecting charities to income tax, and defended his action against strong opposition in a speech which evoked much admiration at the time and is still well worthy of perusal. It was delivered on May 4th, 1863, in committee on Clause 3 of the Customs and Inland Revenue Bill—the clause which related to the exemption of charities from income tax. The question as he put it was simply this: "Whether the law shall be modified, which at the present moment extends to bequests for charitable uses an immunity, as I shall show, from all direct taxation whatever; while at the same time very heavy charges have been undertaken by the State on behalf of the charities thus founded by individuals in the exercise of their own free, and sometimes arbitrary, discretion."

It had been argued that the authority of Pitt and Peel could be quoted against him: "I demur to that assertion. The income tax of Mr. Pitt was a personal income tax; and it was hardly possible by its machinery for him to have got at the revenues of Corporations." Lord Sidmouth, and not Mr. Pitt, was mainly responsible for the exemption of charitable institutions from taxation. Peel had been quoted as an authority for the exemption simply because he did not remove it. But "Sir Robert Peel was a man who, before he undertook a work, was in the habit of measuring his strength

to perform it. He had enough to do in removing from the income tax law a multitude of exemptions which he did remove," such as the exemption of foreigners. And in 1845 his Government actually introduced a Bill for a tax of sixpence in the pound on charities, "a tax within one penny per pound of the sum that would have to be paid at the present rate of income tax."

Much of the opposition, said Gladstone, was due to the misuse of words and to the magic charm of the term charities:—

> "What are these charities? I will venture to say in the first place that nineteen-twentieths of them at least—and I believe that to be an under-statement—consist of what were originally death-bed or testamentary bequests. . . . I confess I am sanguine enough to anticipate an assent to my proposition when I say that what a man wills on his death-bed, when he can no longer keep it in his own hands, is not charity in the same high and sacred sense—nay, I will venture to say, it is not charity in that only legitimate and strict sense—in which the gift of money can be charity, and which the word carries when a man gives what is his own to give or to enjoy. Upon a death-bed, I do not deny that a man may have laudable motives; but, on the other hand, I am sorry to say sometimes he has motives which are not at all laudable. But let the motive be what it may, the fact remains: a man is giving in a particular manner that which it does not rest with him to retain. There is not a particle of the charities of the country, properly so called, which is not taxed. Every voluntary gift of the living, everything saved by every man, everything recovered or gained and then liberally bestowed, though it be the fruit of the most consummate prudence and thrift, nay, it may be of the severest self-denial, if only it were taken out of an income which the giver might himself have enjoyed—all is taxed, and taxed without the smallest favour or regard. The charities of England are taxed; but bequests in England, or what the law terms charitable uses, are relieved from taxation."

He proceeded all along upon the assumption "that an exemp-

tion is a gift." If that was contested, he differed with the opposition on first principles. Exemptions from income tax were really grants or gifts:—

> "What the State remits to a man it gives to him. If a gentleman has carriages and horses, he is liable to pay a guinea for each horse, and two pounds and upwards for every carriage; and, if those sums be levied from his neighbour and not from him, it is the same thing as a return of duty would be—the same thing as if, having been levied, they had been given back to him. I dispute the general wisdom of giving these temptations to men, by gifts of public money withheld from the common stock in the Exchequer, to endeavour to immortalise themselves as founders."

He described the exemption of these posthumous bequests from income tax as "a pecuniary premium at the expense of the rest of the community," which made the legislature partly responsible for them, including those which were questionable, useless, mischievous or even scandalous; for each of them was endowed with a portion of public money, and for the bestowal of public money they, the representatives of the public in the House of Commons, were responsible.

At that time the income tax of sevenpence in the pound, together with other taxes on property, yielded a revenue of about 13 millions, the income tax being responsible for somewhat more than half. The cost of exempting Charities from these taxes amounted to about £216,000 a year.

Next the Chancellor of the Exchequer dwelt upon the demoralising effects of many of these charities, and quoted reports of the Poor Law Commissioners. One of these pointed out that the "dead hand" of the founder of an annual dole does not distinguish between years of prosperity and distress. It encourages improvidence. Not only the pensioners who receive the dole, but those who apply for it feel its demoralising effect and lose their self-respect. Most of the charities were of a religious character, and their

administration often took the form of a sort of "spiritual bribery," which induced people to go to church for the sake of receiving spiritual alms.

Not content with describing these general effects, Gladstone entered into a variety of particulars and illustrations. There was Jarvis's Charity to the poor of three parishes in Herefordshire, which had led to such scandals that the trustees, appointed to execute a will, had been driven to ask Parliament to permit a flagrant violation of it. Then there were Canterbury Charities, whose recipients included a large number of drunkards and bad characters. There was the case of Christ's Hospital, with five hundred Governors, who came into their offices on payment of £500 apiece. These offices gave them a vested right to sixteen hundred presentations worth £70,000 a year. There was the case too of the Charterhouse, whose Governors also possessed a good deal of patronage. These Charities were exempt, but King's College, a well-managed institution, with an excellent school and an excellent college, which devoted its funds wholly to education, was not exempted from taxation.

The case of the hospitals was really a case for a public grant, which would mean a certain amount of public control, whereas in the case of charities and endowed institutions, all effective motives for economical management were annulled. No public opinion was brought to bear upon them. Parliament and the Press knew nothing of their expenditure:—

> "It is too much to suppose that hospitals are managed by angels and archangels; and that their Governors do not, like the rest of humanity, stand in need of supervision, of criticism, and of occasional rebuke. I do not speak of malversation and corruption, I speak of the innumerable shades which separate good and thrifty from bad and wasteful management. . . . All I say, and I challenge contradiction, is this: that a public grant to such an establishment as St. Bartholomew's would be ten times better than an exemption like the present. When there is a public grant voted from year to year, we see what we are

about; we let in the light of day. The public becomes a party to the management; it has something to say, and has a right to be heard; and arbitrary will is dethroned."

Nobody who reads the speech in full, and realises what a buzz of angered interests rose from the snug nests that Gladstone had disturbed, can fail to recognise the splendid courage, as well as the unassailable arguments, of the case which he presented. Nor was he wrong in his conviction that, by inviting public attention to ground hitherto almost untrodden, "although particular interest may produce a momentary pressure, this discussion will not be without its fruits at a future day." His proposals were, as he declared in a concluding sentence "impregnable against all petty taunts and intemperate reproaches," and he commended them with confidence to "the justice, the equity, the courage and the wisdom of the House of Commons." But this citadel of vested abuses was too strongly manned to be stormed by a sudden assault; and indeed Gladstone's method of approach, the only one available to him as Chancellor of the Exchequer, was open to the objection that it did not discriminate between the well-conducted and the ill-conducted institutions, and that an application, however fair and just, of the income tax to a charity would not in itself remedy abuses which invited castigation.

On the very morning of his speech, a formidable deputation, headed by the Duke of Cambridge, the Archbishops of Canterbury and York and the good Lord Shaftesbury, along with Bishops, Peers, Members of Parliament and directors of the threatened charities, had crowded into Gladstone's official residence in Downing Street to present a remonstrance against this part of the Budget. After the Duke, the Archbishop of Canterbury, the Bishop of London, Lord Shaftesbury and others had enlarged on the injurious consequences of the projected tax, Gladstone made a brief reply. He described the visitation as a public meeting rather than a deputation. The attendance was such that he felt

himself to have been "honoured beyond all precedent" in the history of the office which he filled. So far as it was a meeting for reasoning and discussion, the reasoning could only be on one side; for the circumstances of the case made it almost impossible for him to state the arguments which had induced Her Majesty's Government to frame the proposal which it would be his duty that night to submit to the House of Commons. There was no danger that the proposal would be carried by influence as opposed to reason. It would be a very moderate statement of the case to say that the balance of influence would be favourable to the views of the deputation. It was a case that must stand on its own merits. As yet the public had not appreciated the arguments as a whole, nor, to judge from the address he had heard, or the memorial read, had it been fairly brought before the minds of those present. In fact, the deputation had strengthened his conviction that the question was not fully understood, and it would be his duty to state to the House of Commons the reasons upon which his proposals were founded. If the considerations which had been urged upon him had been new, either to his own mind or to his colleagues in the Government, they would be convicted of the utmost levity. It would be left to the opinion of the House of Commons for its free sanction; if it did not receive that, the measure would do more harm than good.

There was one question he wished to ask. Under the name of charities there were gathered together an infinite variety of bequests of different kinds, and he would like to know from any who might be authorised to express the sentiments of the deputation, whether it was their desire that Parliament should continue the present exemption from income tax of all such so-called charities, and so make itself a partner in their maintenance. The Duke of Cambridge replied that the deputation undoubtedly wished that all the charities should be left as they were. Gladstone asked whether that meant "a continuance *simpliciter* of the present exemption."

To this nearly all the members of the deputation replied in the affirmative.

That evening in Committee Gladstone defended his proposals with fire and force. But the Opposition was too strong for him, and the taxation of charities had to be withdrawn, along with the extension of licence duties to clubs. Morley says that the speech on charities, with its fierce cogency and trenchant reasoning, "was counted by good judges who heard it to be among the two or three most powerful that he ever made, and even to-day it may be read with the same sort of interest as we give to Turgot's famous disquisition on Foundations." But it was not made in vain. This rude searchlight upon the abuses and corruptions of charitable foundations roused public opinion, and very quickly the directors of many institutions undertook reforms long overdue. What he achieved was far more important than what he failed to achieve, as it is better to remove an iniquity than to tax it.

We may now turn from Gladstone's official policy towards charities as a Finance Minister to his theory and practice as an individual on the great moral problem, or, as he regarded it, the great Christian duty, of charity.

The range of Gladstone's ideas over all economic subjects was extensive, and in his mind public and private economy were closely related. Thrift and industry were duties equally applicable to public and private life. Wise expenditure, with due regard to income and capital, was no less necessary for the State than for the individual. The duty of a public man and a Minister as trustee for the nation, or of a local Councillor as trustee for the ratepayers, was just as urgent and just as binding as the duty of the head of a family to his dependents; and in every case expenditure was to be measured by means and circumstances. The responsibility of wealth and the duty of charity constituted another subject to which he gave all through life much anxious thought; for religion with him was not confined in a water-tight com-

partment, but something which entered into everyday life. With all his zest for politics and finance and business there mingled a wide and deep sympathy for the poor and oppressed, a sympathy which went out in equal measure to Christian nationalities under the heel of the Turks and to the downtrodden men and women of his own day in his own land. If his mind was always active, his conscience was never asleep.

Many letters and innumerable deeds might be quoted to illustrate not only his untiring benevolence and generosity, but also the vigilant and active attention, not general and abstract and lackadaisical like that of so many good-natured, easy-going people, whose charity often does more harm than good, but watchful, attentive and careful, bent upon making sure that every penny which he could afford was worthily bestowed and usefully applied by the recipient for the good of society and for the Glory of God.

Thus it came about that in 1890 he was profoundly interested when a copy of two articles written by Andrew Carnegie, entitled "Wealth and the Best Fields for Philanthropy," came into his possession. It was a new way of looking at a problem which he had been trying all his life to solve. It was a new challenge to the wealthy world by the most successful of millionaire manufacturers. Accordingly, Gladstone, in one of his intervals of busy leisure, penned an article for the *Nineteenth Century* (November 1890), on what he called "Mr. Carnegie's Gospel of Wealth." "This self-made millionaire," he wrote, "has confronted the moral and social problem of wealth more boldly, so far as I know, than any previous writer. He may, like the rest of us, have his infirmities; but his courage and frankness, both of them superlative, are among the attendant virtues which walk in the train of a munificence not less modest and simple than it is habitual and splendid."

Carnegie was no apologist for the vast fortune which had rewarded his incessant industry, his extraordinary gifts for

business organisation and his keen scent for profitable openings and big bargains. As Gladstone put it, the millionaire's tone was not that either of an ascetic or of a socialist. Luxury he conceived as the mother of industry, and industry as the breath of Society. So he boldly upheld the rôle of an industrial giant, maintaining that vast enterprises and colossal fortunes arise from the normal processes and essential conditions of modern society. He spoke with the authority of one who has trodden and climbed all the rungs of the social ladder, who rejoiced (as he well might) that inventions and discoveries had brought variety, cheapness and abundance, so that a labourer of his day could enjoy more comforts than the farmer a few generations back. Queen Elizabeth, so Gladstone commented, "breakfasted on beer and beefsteaks. Agricultural distress must go far indeed before the squire of our day will be content with such a bill of fare."

Looking back over his own lifetime, Gladstone was impressed by the enormous growth of the wealth of the United Kingdom. The income from agricultural land, indeed, was a little less in 1889 than in 1862. This wealth of the landlords he called "responsible wealth," because in landed property wealth and station were co-extensive. They were placed in proximity with the discharge of duty, and the neglect of this duty was visible to their neighbours and, as it were, under the public eye. But the growth of irresponsible wealth, such as the profits of merchants and manufacturers, had been prodigious. Judged by the proceeds of the income tax between 1842 and 1889, the wealth of the United Kingdom had nearly trebled in forty-seven years. In thirty-five years since 1855, 340 millions had been added to the taxable income of the country, and the annual addition to its capital he thought could not be taken at less than 200 millions. It would be unreasonable to estimate the entire capital of the country at less than from 10,000 to 12,000 millions. "If the entire community, taking rich and poor overhead, were to dedicate 10 per cent. only of the income,

the amount thus given away by the individual for the honour of God and the good of his neighbour—large as it would sound at 130 millions—would still leave an increment of 70 millions at the close of the year in the prospering store of the wealth-making classes; besides the value that would be represented in durable products of building and endowment, intended to be the prolific parents of future good and indeed of future capital."

As we have seen, Gladstone perceived many drawbacks to what on the whole was a beneficial change. The establishment, as Carlyle put it, of cash payment as the sole *nexus* between man and man meant that what used to be human ties were becoming largely mechanical. Mr. Carnegie himself could hardly have known personally more than a tiny fraction of those who worked for him, the wage-earners whom he employed for his profit. The larger the unit, the more is it true that the modern employer knows his labourer only through the product of his labour. Gladstone feared that this tendency to dehumanise the relations between employers and employees was a growing one, though there were gallant struggles to counteract it. But Carnegie accepted these new conditions "resignedly as being imperative, and cheerfully as being on the whole beneficial." In his eyes "organisation, concentration, competition and survival of the fittest, elevation of the general conditions of the general life," were dovetailed into one another and could not be parted. "So this great, but not godless, Cyclops employs with a quiet conscience his 20,000 men, and sends off every morning from his works a mile in length of train-wagons laden with coke."

So far the millionaire manufacturer was well satisfied, and saw no reason to be ashamed of the gigantic scale of his enterprises and his profits.

> "But the wealth thus legitimately accumulated (and it is of wealth only, not of mere competence, that Mr. Carnegie speaks) constitutes, when rightly understood, a

heavy burden upon the shoulders of its possessor. Mr. Carnegie discusses the mode of getting rid of it only so far as concerns that portion of it which cannot be, or which is not commonly, spent. He does not consider the case of the gambler, or the glutton, or the wine-sop, or the sybarite. He lends them no warrant, either by his doctrine or his practice; but he chooses his own field of discussion, and deals with 'surplus' wealth alone. Probably America has less acquaintance than we of the older societies with that class of men, amongst all the most miserable, for whom the word 'surplus' never can exist, because, however vast their wealth, however, imperative and however attractive the obligations which rank, tradition and social ties impose upon its use, the idea of enjoyment is from youth upwards the only one they comprehend; and all is swallowed without compunction in the insatiable maw of their desires.

"It is with a more tranquil, if sometimes not less obstinate, class of offenders that Mr. Carnegie has to deal. For their benefit, he points out that there are but three ways in which the surplus beyond expenditure can be disposed of. It can be left to the family; or it can be bequeathed for public purposes; or it can be 'administered'—that is to say, bestowed, or given away—by the possessor during life.

"To dispose of accumulated wealth by provision for the family is, in the judgment of Mr. Carnegie; the 'most injudicious' of the three modes he specifies. He associates with it the custom of primogeniture, and views it as a device to gratify the vanity of the parent in the perpetuation of his name. He thinks that the picture presented by contemporary Europe testifies to its failure; and that to leave great fortunes to our children is to impose upon them both burden and disadvantage. Moderate life-provisions should be provided for the wife and daughters, and 'very moderate allowances indeed, if any, for the sons.'"

Gladstone's own feelings on the subject of the perpetuation of large fortunes and of wealthy families by entail and other devices were mixed. He saw the evils of large fortunes detached from occupation and exertion; but there were

cases in the English nobility and landed gentry which appealed to him. For instance, there was the Salisbury family, dating from the ancestor who served Queen Elizabeth so well: "We have in 1890 a Prime Minister whose ancestors were similarly employed to the great benefit of England ten generations ago. Is not this a good? Is not this tie of lineage for him a link binding him to honour and to public virtue?" The tradition of *noblesse oblige* was not to be despised. Was it too much to affirm that the hereditary transmission of wealth and position, conjoined with useful occupations, responsibility or public service, is a good and not an evil thing? Gladstone rejoiced to see it among our merchants, bankers and publishers. He wished it were commoner among our great manufacturing capitalists. When he turned to the hereditary transmission of land, he found the problem more difficult, and too large for any real discussion. Carnegie's argument against it could be supported by many scandalous examples; but, when rightly used, the office of landed proprietor binds together the whole structure of rural society. Unfortunately, the evasion of duty was easy, and would be so even when they had got rid of "the social and moral mischiefs inherent in entails"; for the means of selfish indulgence could be had through labours performed by deputy. Gladstone was thinking, no doubt, of absentee landlordism in Ireland. His balanced judgment deserves to be cited:—

> "Our system of landholding may break down through rampant abuse, or may be upheld by the high merits of those who adorn it by appropriate and conspicuous virtues; but in it is largely involved what the French call the *famille-souche*, that cohesion, interdependence and affection of the gens, which is, in its turn, a fast compacting bond of societies at large. Mr. Carnegie has doubtless much to say against this system; but there is plus and minus in the account between a country of old wealth and a country of new, and he will perhaps admit that he has not quite the whole truth on his side. I must in fairness add that he has allowed an exception to his rule.

> Where sons have been brought up in idleness, or for the performance of public duty without reference to gain—and occasionally these last (he says) 'are the very salt of the earth'—they ought to be endowed 'in moderation.' "

After this digression Gladstone, having traversed "this field of partial if serious difference," proceeds to the main scope of Carnegie's theory "in a spirit of strong, and for the most part unqualified sympathy." After disposing of family claims, a rich man has to consider two methods of discharging his responsibilities—the method of bequest and the method of bestowal. Mr. Gladstone shared Carnegie's objections to the method of bequest. Testamentary dispositions are often thwarted, and, when attained, they often stand merely as monuments of human folly. Moreover, men who leave vast sums by will may fairly be thought of as men who had only left the money because they could not take it with them. "The memories of such cannot be held in grateful remembrance; for there is no grace in their gift." These are Carnegie's words, but they are truly Gladstonian in sentiment, though Gladstone noted, without endorsing, Carnegie's logical inference that death duties are the wisest of all forms of taxation, and that the State might fairly abstract a moiety from the hoard of the millionaire. If so stringent a graduation be deemed hard, the remedy was at hand; for the oppressed individual had only to give away his money during life in order to defy effectually a greedy Treasury.

Coming next to the case of charitable bequests, Gladstone held that no censure is to be cast on those minor gifts by will to friends, attendants and the like which often derive their grace from arriving after one's death. Yet even here, subject to general instructions, the details are often best left to the discretion of judicious executors. Apart from these cases, he was in accord with Carnegie's censure of what are called charitable bequests on grounds which are both characteristic and instructive.

His first charge against the practice is that "it offers a ready and seductive mode of escape from that exercise of self-denial which is required in order to part on any adequate scale with our means while we are alive." Next, these bequests are supported by "an evil tradition" which assigns to these posthumous dispositions a property of virtue to which they are in no way entitled. "What is wrested from me by the grip of Death I can in no true sense be said to give; and yet we hear of the bounty and munificence of A or B, and that such and such a hospital was founded at the sole costs and charges of C, when there was neither bounty nor munificence, since nothing can be given which is not also taken away from the giver; but nothing is here taken from the giver by the bequest he makes, for it is already gone; nor are there any costs or charges in the case, for no man can spend his money, any more than he can walk in Bond Street or Hyde Park, after he is dead."

Few things annoyed Gladstone more than newspaper paragraphs headed in large type, "Munificent Bequest." A lady perhaps will leave £80,000 and assign several thousands to charitable institutions. She departs from the world lauded and admired for her generosity. "I submit that she has no title to admiration. She has given them nothing. If, as I will assume, her whole income was required for her yearly expenditure, why did she not provide it by life annuity with a portion of her capital, and hand over the rest while she lived, as occasion served? There would then have been gift, probably without praise. There is now praise without gift."

Gladstone saw a real and grave evil in this false ascription of virtue to what was a systematic practice among his wealthy countrymen and countrywomen. It is dangerous enough, he argued, to plume ourselves on real virtues, but to have sham virtues set up "is the worst kind of image-worship that I know; and my fear is that, with a servile submission to custom. or a vague and wandering phantasm

of good nature, we are cherishing unawares, and under false pretences, a really demoralising agency." He could even imagine cases in which persons practise an unworthy parsimony towards good purposes when alive, in order to provide for spectacular offerings after death. Indeed, there were notorious examples of *compo* reputations built up after death for persons "who actually fell short during life, even from the poor standards that so commonly prevail among the wealthy."

Another serious objection taken by Gladstone to *post-mortem* bequests was that it tempted rich people "to make their wealth an engine for counteracting posthumously the free and healthy action of public opinion by imposing conditions inclined to force it into particular directions congenial to the private views of the testator." No doubt we are all entitled, and even bound, to endeavour during our lifetime to influence public opinion in the directions we think are right. We do this by the use of means which really belong to us, and we see our plans at work, learn their weak points and are able to correct them. "In the cheap magnificence of testamentary appropriations" these safeguards disappear. Here Gladstone was reverting to considerations which he had adduced as Chancellor of the Exchequer in his famous objections to exempting charities from income tax.

As in the case of economy and thrift, so in the case of generosity and charity, Gladstone's practice was as good as his precept. In a paper of suggestions to one of his sons at Oxford, written during his first Administration on October 7th, 1872, he advised a methodical use of money as well as of time, adding:—

> "Especially is it wise to dedicate a certain portion of our means to purposes of charity and religion, and this is more easily begun in youth than in after-life. The greatest advantage of making a little fund of this kind is that when we are asked to give, the competition is not between

self on the one hand and charity on the other, but between the different purposes of religion and charity with one another, among which we ought to make the most careful choice. It is desirable that the fund thus devoted should not be less than one-tenth of our means; and it tends to bring a blessing on the rest."

How great a portion of his own means he dedicated throughout his life to purposes of charity and religion is told in one of the later chapters of Morley's biography. "He kept detailed accounts under these heads from 1831 to 1897, and from these it appears that from 1831 to the end of 1890 he had devoted to objects of charity and religion upwards of seventy thousand pounds, and in the remaining years of his life the figure in this account stands at thirteen thousand five hundred—this besides thirty thousand pounds for his cherished object of founding the hostel and library of Saint Deiniol's." Yet the Editor of the "Diary of Lady Frederick Cavendish" dared to question the sincerity of Gladstone's expressed desire to be free of the burden of wealth and capital; nay, to prove his point, he even printed and published a statement that Gladstone "died rich." Mr. Henry Neville Gladstone challenged this statement. He pointed out that his father spent £267,000 of his own money on the Hawarden estate, the whole of which passed to his eldest son in 1882; that during the 'eighties he distributed £120,000 to members of his family; and that on charities and religion he spent £113,500 during his lifetime; finally, that at the date of his death the total value of his estates was £50,000, in other words, one-tenth of the total sums which he had distributed or disposed of. For his incorrect statement the editor wrote an expression of "sincere regret," and asked Mr. Henry Gladstone to make any use he liked of the letter.

It has been said that great thoughts come from the heart, but should go round by the head. What is true of great thoughts is not less true of charities, and all Gladstone's charitable and generous actions may be said to have illus-

trated this ideal process. It is a pleasure to think that the last and the most characteristic of all his bequests—for it combined with his favourite study of theology his love of books and learning—the foundation of Saint Deiniol's, was one which he lived to see in actual operation. Saint Deiniol's is the name he chose for the library and hostel not far from Hawarden Castle, beautifully situated close to the church on a ridge commanding fine views over the estuary of the Dee. All the preliminaries necessary to carry out his intentions were completed in December 1895, when thirteen trustees chosen by the founder signed the trust deed with Mr. Gladstone. A building was erected for the library. Mr. Gladstone himself removed and arranged in their shelves with his own hands some twenty thousand volumes from his library, with the help of members of his family and of his faithful valet, Zadok Outram. The old Grammar School near by was converted into a residence for the students; an endowment of thirty thousand pounds was settled by the founder upon the trustees; a warden and librarian were appointed, and before his death on May 19th, 1898, the founder had the satisfaction of seeing his scheme in full working order. His purpose and its object may be given in his own words:—

"Convinced that the future of the human race depends in the main upon the great question of belief, and that the most special and urgent of present needs is the need of sufficient means for the effective promotion of divine learning, I am engaged in the foundation of a library which, I trust, may serve as the nucleus of an institution under the name of St. Deiniol's, Hawarden, adapted to that end. Divine learning, in order to reach its fullest efficacy, has been, and ought to be, associated with the various branches of human knowledge, and it is upon the widest basis that the library is being formed. While the principles of the institution will be those of the historic Church of this country, it is my earnest desire and full intention that the hospitality of the institution

> and its conveniences and advantages should as far as possible be made available for persons beyond the pale of the Anglican Church or even of the Christian religion."

To complete the story in a few words, a grant of £10,000 was made from the National Memorial to the trustees of Saint Deiniol's, and with this sum a fine library building was erected and opened in 1902 by the late Earl Spencer. In 1904 the Gladstone family themselves built the residential wing, which was formally opened in 1907. The library now contains some 65,000 volumes. In every way the charitable founder's hopes and intentions have been abundantly fulfilled.

CHAPTER XIX

PERSONAL RECOLLECTIONS OF W. E. GLADSTONE BY HIS SON HENRY NEVILLE GLADSTONE

IN the preceding chapters, and especially in the last, which reveals his views as Chancellor of the Exchequer and also as a private individual on charity and charities, readers of this book will have felt the essential unity of my father's life and character. In his case there was no incompatibility between the man and the statesman or between his private and public opinions. The thrift which he inculcated in public life he practised in private life, and the lessons which he taught his countrymen as Chancellor of the Exchequer were impressed upon his own boys as they grew to manhood. In my sister's "Catherine Gladstone"* and in my brother's book "After Thirty Years,"† many personal recollections of my father will be found; but readers of these and of Morley's "Life of Gladstone" have pressed his family to disclose more about his life at home. In yielding to these requests, I hope I may be pardoned if some of these memories or quotations from my father's letters make me appear in too favourable a light. But, having embraced a business career, which involved residence in India during some of the most important years of my father's life, I am the proud possessor of many letters from him, from which I propose to make extracts. Moreover, before I left, and during visits home after my return, I acted as his private Secretary. At various times, also, and especially towards the end of his life, he entrusted

* "Catherine Gladstone," by her daughter Mary Drew, published by Nisbet and Co.

† "After Thirty Years," by Viscount Gladstone, published by Macmillan and Co.

me with private business and consulted me about financial matters and investments.

One of my earliest impressions of him in the 'fifties is a vivid sense of his great physical strength. On one occasion he carried on his back, round one of the large rooms in Hawarden Castle, the four youngest of his children in two tiers, a total weight of sixteen or seventeen stone. He was then, of course, in the prime of life.

The first of my father's letters in my possession was when he was Chancellor of the Exchequer. It is dated Sept. 4th, 1864, and was written on his way to Balmoral as Minister in attendance on Queen Victoria; and I was entering on my school days at Eton, "the greatest event in your life," as he described it. A letter in the following year (March 24, 1865) begins: "I have been much pleased at the accounts of you, though I am inclined to call you a rogue for never having written to me, and if you tell me it was because you have so much to do, I shall ask you which of *us two* is best off in that respect."

After my brother Herbert had joined me at Eton, my father wrote from Hawarden, October 22, 1867: "I can promise you both, and I am confident your elder brothers would say the same that the more a habit of industry is formed, the more satisfactory and even the more pleasant it becomes: and be assured of this too: every idle man whatever be his title or his wealth, who is able to work and does not, is contemptible."

With industry he always joined economy, and I have some recollections of his personal thrift in the use of money, and still more of time, which may be worth recalling.

When we sons went to Eton we were placed upon an annual fixed allowance. It helped to teach us the value of money. My eldest brother, whilst at Oxford, received £50 per annum more than the allowance given to his brothers. Mr. Gladstone was particularly strict in his own personal expenditure, and in Mrs. Gladstone he had an excellent helper in

avoiding waste in household expenses. He was always interested in the cost of commodities and often asked the prices of fruits and other articles exhibited in the shop windows of London. I was in early days frequently cross-examined as to the charges made for my modest but varied luncheons in the City; and he was ever ready to listen to these or any other similar details. It is well known that he carried out strict principles of economy in his position as guardian of the Public Services. The type of stationery he used in Office for private and for official purposes was the same, but there was one store paid for out of his own pocket for his private use, and another provided free by the Government Stationery Office for official correspondence. He was most particular in seeing that the Public purse paid only for its proper share of the expenditure on his official houses, even to the smallest items. These minute and, as some thought, unnecessary practices became known to the high officials of the Treasury, and led to strict economic supervision of the large miscellaneous expenditure in all Government departments. Undoubtedly the total savings thus effected mounted up to no mean sum. At one time he was gravely concerned at the waste in telegraphic messages, especially the foreign ones. Our Legations seem to have been in the habit of sending inordinately long telegrams filled with irrevelant chit-chat, regardless of cost. This of course incensed Mr. Gladstone, who took steps to stop the practice. He also appears to have spoken to Lord Clarendon about the wasteful Foreign Office custom of using double-sheeted paper when single sheets sufficed. In his private life the preservation of half-sheets of paper was typical in a small way of his hatred of waste. In the vast collection of letters which he left behind it is extremely rare to find one with a blank sheet attached. Then there was his scrupulous care in keeping records of his own daily expenditure, which he did until well on in life. His letters to Mrs. Gladstone bear witness to his care in expenditure; but never in all these

things (and this must be emphasised) was there anything approaching to what could be considered meanness. The reverse was the case and there was always an abundance of good and wholesome fare. Plenty was the rule and practice, not frugality. His was a most generous disposition, as his large benefactions all through life prove, and he enjoyed giving free and constant hospitalities. He truly realised the value of money and the responsibility which lay with him of seeing that it was expended with due thought. It was not the actual amount of expenditure, whether large or small, that concerned him, but rather whether the outlay was prudent, necessary and in keeping with surrounding circumstances. Mr. Gladstone's passion for economy was not limited to money matters. Similar care and efforts were expended on eliminating waste of time, and he recognised special responsibilities in this respect which attach to all who are paid officials of the State Here is a letter of April 1, 1869, about my work at School:—

"It is of much importance that you should not fail in your mathematics when you return.

"What I would strongly urge upon you is that you should let *no* weekday pass without making a little ground—either learning something new, or learning to know more clearly and fully something that you partly knew before. Also I advise that in mathematics particularly you make no *jumps* but take one stage at a time; always feel the ground well beneath you, or if you do not, wait until you do, and until then do not attempt to go on."

Mr. Gladstone's first administration lasted from 1868 to 1874. For a short time I did some secretarial work for him in Downing Street, and then went into business in the City. From time to time my father sent me letters of encouragement. In one of these (February 20, 1871) he wrote:—

"I have the fullest confidence that you will sustain, and further develop, where you now are, the character you made for yourself in Downing Street. I am sorry we meet

but rarely just now. But the number of times I see you is not a measure of the number of times you are in my thoughts."

On April 2 (my 19th birthday) he added five pounds a quarter to my allowance, for luncheons "and such-like odds and ends," at the same time reminding me that all usefulness and happiness in life "must be founded on that solid ground of steady application and the resolute determination to turn to the best account every faculty given us by our Maker." I was then going through what he called "the drudging period" of business life; but he reminded me (September 21, 1871) that "your difficulties will be less and your inducements and enjoyment in your calling greater (for a calling earnestly pursued brings much enjoyment) as you get further on." In October 1872 I received an advancement in business, and my father wrote from Daobreac Lodge, Beauly, to congratulate me on this promotion, saying:—

"I cannot fail to see that it is a responsible post requiring character, assiduity and capacity; and I am rejoiced to think that thus early in your career you should have earned such a recognition. If it has a salary, it is further satisfactory, for you will I think find (at least I have ever found) that a pound earned is far more valuable and satisfactory than a pound not due to our own exertions. If, on the other hand, it does not bring this satisfaction, yet it must be a step on the road thereto."

It was in this month that my father made his great open-air speech to a vast crowd of some thirty thousand people on Blackheath. At the beginning of the speech there had been some interruptions, but the speaker soon won over his audience, and experienced persons on the platform were convinced that Mr. Gladstone's voice reached the outside limit of the huge crowd, because the outer fringe remained throughout attentive and quiet. I was with him. There had been reductions of workpeople in the Woolwich Yards, and the police authorities feared that Mr. Gladstone might be

attacked by some of the unemployed. Consequently they insisted that a detective should sit beside our coachman, and I was cautioned to keep a close watch from inside upon anybody approaching the carriage. I had an anxious moment when a man, running alongside with one hand on the carriage, suddenly placed the other in the breast pocket of his jacket. I expected and was prepared for some instrument of attack. It proved to be only a petition, and the detective did not notice what had happened, but remained in ignorance of the whole incident. On this occasion, in the third year of his first Ministry, Mr. Gladstone had to expound one of its guiding principles—Public Economy—upon which the reductions in the Woolwich Yards had been partly based. It was a spirited and skilful defence of a policy which was bound to be unpopular in the neighbourhood. Opinions may differ as to the wisdom of the retrenchments which had been effected in pursuance of a plan commenced by the previous administration. But, having formed a judgment which he believed to be right, Mr. Gladstone pressed forward with the same fearless persistency which generally overcame all the obstacles in his path. His last stand for economy came thirty-three years later, when, on the point of retirement from his fourth Ministry, he pleaded hard with his Cabinet colleagues against a large increase in the Navy Estimates. At that time few appreciated either the importance of the controversy or the foresight which inspired his action. It was based upon the belief that a sudden and sensational expansion of the British Navy beyond reasonable requirements would probably lead to a costly and disastrous competition on the sea with other Powers. This is precisely what occurred, though the final consequences were not fully developed until a decade later, when the first Dreadnought was secretly planned. The Kaiser himself has, I believe, recently expressed the opinion that by this new departure we not only incurred enormously increased expenditure, but deprived ourselves of the important lead we had

in fine battleships of the Edward VII and other classes. Germany was thus enabled to carry out an extensive programme of warship building with improved Dreadnoughts and to compete with us on practically equal terms.

I now return to my father's letters. In January 1873 he wrote again about my position in business:—

> "As to salary, I *presume* it is the prospect of your being a partner that excludes you from it. Were you a paid officer, you would belong to what we call in the Public Service the permanent Staff of the Department, and would not be intended to take part in the responsible direction. You are now like one of those German officers who, according to an excellent system, begin by doing duty for a certain time as a private."

In April of the following year, there is a letter on the same subject:—

> "I have no doubt it is a trial to you to seem to go backwards in your work; but after all this is one of the trials that make a man. In political life it is thought a wise thing to be able to move downwards as well as upwards. Indeed a chief burden of that life in and out of office, appertaining, however, especially to the latter state, is the great mass of utterly useless and unprofitable work imposed upon us by others. It forms a considerable part of my correspondence, and I am never a day without it. I hope it will not last long in your case."

When he thought I was about to leave for India he wrote (October 29, 1874):—

> "Instead of the one or two little charges I had promised to meet, I will now raise your allowance as from January 1874 to £280. Out of this you will pay what you can; and when you find more is requisite for your voyages, you will either write to me, or if you find it necessary draw upon me. Tell me whether you think this plan will do.
>
> "We have all been happily and mercifully allowed thus far to *keep together* in a degree seldom permitted to a family of the same numbers. You will, I know, therefore

feel sensibly the wrench of your departure, and we shall all be most sorry when the time comes to miss you. But in the first place there is now the comfort of good and steady communication by post; how different from fifty years back, when, as I well remember, the answer to a letter could not be expected much under twelve months. Next you will at once begin to find on every side of you new objects of interest, inquiry and reflection; great helps in the further formation of your mind and character. But especially you will take it as coming to you in the way of your duty, and of the will of God, and therefore healthful, just and right."

His first post-cards to me are dated June 5 and October 15, 1876.

In December 1874, Lord John Manners, Postmaster-General in Lord Beaconsfield's Government, once my father's colleague as Member for Newark, had written to Mr. Gladstone as follows:—

"These—your cards—will be issued to the public on Feb. 1st, 1875. I hope you will like them and live long and happily to use them."

This appears to establish the fact that the post-card, which has proved to be so popular, was probably introduced on the suggestion of Mr. Gladstone. It is well known that my father used post-cards very freely during the rest of his life, his object being to economise time as well as to save expense.

Eventually I left for India in October 1876 for the second time to start my business career with the firm of Gillanders Arbuthnot & Co., Calcutta, founded under the auspices of my grandfather, Sir John Gladstone. My father combined a visit to Lord Granville at Walmer Castle with seeing me off from Dover on my way to India, bidding me an affectionate farewell below deck. A fellow-passenger a week later was heard to express surprise that a father should part from a son from whom there must be years of separation without any sign of an affectionate farewell!

A few weeks afterwards my father wrote to me:—

Hawarden, January 11, 77.

"My Dearest Harry,

"I am rather shocked at the reflection how many weeks have slipped away since I saw your figure, from the Dover Pier, lessen in my eyes as you moved away in the steamer which carried you. I learned from the functionary who gave me my standing place that your boat was not an easy goer, and was glad I did not know before bidding you good-bye that your first two hours might be uncomfortable. I am sure I need not tell you that out of sight has not been out of mind, that my thoughts often and often travel to the far land where you are, and that I remember you in the most solemn moments. But my correspondence, always heavy, has this year almost broken my back, and hardly any event is rarer with me than to write a letter which is a matter of pure choice.

"The great question of the East has been the speciality of the season, and between reading, writing, corresponding, publishing, conferring, travelling, speaking and I know not what, it has laid hold on all the time I might otherwise have called my own. But this is not to be complained of; it has been an outlay with good interest and good security, and sown with the promise of an abundant harvest. How abundant we do not yet know, nor when it will be reaped. Almost all diplomacy is full of craft, of second thoughts and cross purposes. The proceedings of the Conference at Constantinople are before all things *dark*. We know not what they have done. It would be very sanguine to believe they have proposed what is adequate to the whole case. There is reason to fear they may not have held by even what they proposed. Yet their inadequate proposals may still be too much for the Turk to accept. And such is the language of Ignatieff in a telegram privately sent and recently reported to me. For the present we have only to look on. It may be that something will be patched up, and if it is, the Government will be out of their scrape until the patch gives way and requires repatching. If they fail to do this, there will be a row in Parliament at or *soon* after the meeting. I believe Salisbury has done his best; but am doubtful

whether other Government influences have not been at work from hence to hamstring him. Two things only I hold to be certain. First, the Turks will not accept any plan really good. Secondly—and this is the best part of the whole—the idea of the independence of the Porte is gone beyond the possibility of revival for any working purpose, now that all Europe has met in Constantinople, to put ignominiously aside the 'constitution' and to consider with authority how certain Provinces of Turkey shall be governed.

"I shall be very glad to learn anything you can gather about the feelings of the Mahometans in India. They are divided into Sects. The Sunnites agree with the Turks. But I should like to know what is the feeling of the Shiahs, and also of the Wahabees, who are fanatical, and not supposed to love any of the rest. I do not think their feeling to be a great element in the case, but it is well to have information about it.

"Pray also report what more you may hear about the Queen's title as Empress, but it will doubtless be well, on account of your name, that you should be cautious in the expression of any opinion."

I have given these extracts from a long letter to show how Mr. Gladstone wrote to a son in India about the great Eastern crisis, and how keen he was to obtain information about Indian conditions. In this letter he mentions that "the poor old office" in Liverpool (tenanted by my grandfather's house of Gladstone & Co. for many years), "which I have known all my life," was being demolished, and that "the old defaced house," Seaforth, the home of his boyhood, was still standing. This Seaforth property had devolved upon Mr. Gladstone from Sir John Gladstone, and formed an important portion of his patrimony, he alone of the four brothers having sufficient vision to forecast the ultimate value of the estate. The Liverpool Docks have now extended thus far, and a dense population is established on the property. In that year Seaforth was being sold, the estate having been sadly mismanaged during my father's Prime Ministership, 1868–1874, by his representatives.

A letter of July 20, 1877, shows how the Eastern question weighed upon my father. It begins:—

"Not only general pressure, but the exhaustion of writing from a correspondence which this year has really exceeded all bounds, prevents from week to week my writing to you as I ought and as I could wish. Though I feel most beneficially the relief from official anxiety, and from the long and especially the late hours of the House of Commons, I have never in my life, I think, had such a crowd and tumult of occupations as since the date, now about twelve months back, when I found it necessary to go deeply and broadly into the Eastern question. Of that question I have held and still hold myself the slave."

From further discussion of the Turkish question he passes to my own progress in business.

"And now for your own affairs. We rejoice to receive your good accounts of health and work and your happy relations with your House.* There seems to be little doubt that, in a social and moral and perhaps also in a commercial view, you have moved upwards and not downwards in the change effected; and so it is that God gives us good under the guise of evil, a double good, indeed, for, besides what the change may be in itself, the trial and the manner in which you bore it have probably done more to give you manliness and firmness of character than might have been accomplished in the ordinary course by the events of ten or twenty years."

On September 6 he reverts to the pressure on his time:—

"You never reproach me for the fewness of my letters, and no-one knows better how to give trust, or how to understand that writing at the rate of three thousand letters in the year, as I do, of one kind and another, takes out of one what little *go* there might still remain. The people one *must* write to in truth displace the people one ought to write to."

* I had recently passed from Gladstone, Wyllie & Co. to Gillanders Arbuthnot & Co., both of which firms were originated by my grandfather, Sir John Gladstone.

After discussing the Indian famine, the state of Indian finances and the Russo-Turkish crisis, he adds:—

> "I wish I could write to you much more fully about India. . . . I am sure you will remember, in all your personal treatment of the natives of India, that a portion of the character of your country is in your hands."

A little later I received authority to sign for my firm, and my father at once wrote (November 16, 1877), to express his pleasure "at the early recognition which your services have obtained. . . . I apprehend that it is impossible to carry confidence further than by such an act it is carried."

In a letter of November 12, 1878, he replied to one of mine about my future prospects in business, and the question how long I should stay in India. He took the view that a mercantile house like ours might well be worked on the principle of exchanges by partners in rotation. After referring to a partner who had stayed at home, he went on:—

> "The present system seems to be what natural philosophers term a survival, without reason, from the time when the voyage to Calcutta occupied four months, or five, each way. By visits for a year, one would think, a much fairer system might be organised: while those who bring in less capital or more might fairly be expected to make up for it in Indian residence. Your point of view is so coincident with mine that I do not like to load you with further remarks; except these. As to the second string to your bow, viz. the alternative of a new House, you must exercise mainly your own choice, for you are the best judge of the difficulties in the way; if there is anything I can do by inquiry, you have only to let me know. On the other hand, I have been preparing to be in a state of readiness to find the capital, by having a sufficient amount of funds in securities readily convertible."

During my business career in India I had, of course, every opportunity of acquiring knowledge and experience in trade, industry and finance. Even in those days I was accustomed

to find that my father knew much more than I did on many of these questions.

Mr. Gladstone's next letter to me, in January 1879, refers to the decline of Jingoism (a new word) and to the depression of trade. "The Government," he remarks, "will probably try to reduce some expenditure in view of the Dissolution: but they will have an awkward time with their finance. They can hardly have *brass* to make India pay all the Afghan War."

In writing a "little sketch" of public affairs on May 16 of the same year he refers to the decline of the Beaconsfield Government's popularity and to their unsound finances:—

> "A sure though evil instinct has guided them in choosing rather to demoralise our finances than to pay their way by imposing taxes, but I do not see how they are long to escape this difficulty. It is hardly possible that any decent Estimate can be made for the Cape War which will not do more than absorb the colourable surplus of £1,900,000. If they try to cover a further deficit by loan, I think we shall have at them again. If by taxes, it will damage them seriously. It is very sad, but so it is that in these guilty wars it is the business of paying which appears to be the most effective means of awakening the conscience!"

On June 27, 1879, after discussing business alternatives he returns to public questions:—

> "I hope your occupations permit you to give some share of thought and observation to the general state of India. . . . The Government have come under compulsion to a resolution for retrenchment, but it appears very doubtful whether the scale of it will be adequate. I am afraid that the entire Indian problem is much more grave than people here suppose: and of course of late has been on the whole decidedly retrospective. Do you know Ghose, a very intelligent native, who is now over here with the purpose principally of promoting the civil employment of natives?"

As controller of the Hawarden estates Mr. Gladstone had a special interest in agriculture, and kept an eye on economic

conditions affecting estates and rents. Thus he wrote to me (February 12, 1880) just before the Dissolution brought him back to power:—

> "The question of agricultural distress grows serious for farmers and for the landlords of embarrassed estates. I am going to see what effort I can make to fortify Willy's* position and give him a little more elbow-room. That the difficulties of the case have not disappeared wholly can be no cause of wonder, for I do not believe that any landed family has ever held its ground before under circumstances of equal pressure. But it is well to make all the preparation that the case admits for the fall of rents which it is thought *may* (or it may not) be coming through the American grain competition, which is certainly a great fact, and not one merely transitory. That is a wonderful country, and as yet we know very little of it."

But, though interested in agriculture, Mr. Gladstone never forgot that his was a commercial family, and his next letter (April 9, 1881) expresses a hope that some of his descendants will "maintain the commercial traditions of the family, which have now lasted for a century, and which I hope never will be lost."

Resuming this letter on April 21, he speaks of the death of Lord Beaconsfield, "whose rival men call me, much against my will, for I am not and never was his rival, so far as it depended on my will or intention." Then, after a remarkable suggestion that the Duke of Richmond might succeed to the leadership of the Conservative Party, he went on:—"Before the holidays I had severe work in the preparation of the Budget and of the Land Bill. The former effects little, but it does something in the way of relief for people who want it and something to strengthen the foundation of our finances."

In his next letter (December 4, 1881) he says:—

> "Your grandfather, as old age came upon him, bestowed property on his children: I think it was a wise plan. I

* William Henry Gladstone, his eldest son.

have begun to act upon it, and I mean to carry it further, though not on the same scale, as my permanent income is less than one fourth of his, and would not have been one-eighth had I continued to live in Carlton House Terrace, which indeed in 1874 was impossible."

It was indeed largely my father's heavy expenditure in retrieving the fortunes of the Hawarden estate that necessitated the sale of the London house he had occupied for over fifteen years (including the whole period of his first Ministry) and the acquisition of a modest house in Harley Street (No. 73). It also involved the sale at Christie's of almost the whole of his considerable collections of pictures, china, and various works of art, which he had bought at various times in London or on the Continent for many years. It was a hobby in which he had taken much pleasure, and undoubtedly he deeply deplored the loss of his treasures; but he made no complaint, cheerfully accepted the situation.

He formed his second Government in the Harley Street house. I chanced to arrive there from India on the very day my father returned to London after the General Election of 1880. Ten minutes before his arrival Lord Granville came in, and charmed me, as usual, with his gracious personality. Very soon he drew from his pocket and handed to me silently a formal document, containing a resolution, recently passed after the General Election at some important gathering of Liberals, to the effect that, whilst thanking Lord Granville and Lord Hartington for their valuable services to the Liberal cause, the meeting was of opinion that Mr. Gladstone should be the next Prime Minister. Having only just reached London from India, I was totally ignorant of the latest position as regards Leadership, and I decided that my best course was to hand back the document to Lord Granville, as silently as it had been given me for perusal.

The first results of the General Election had reached our ship at Aden, and if I remember rightly reported about

thirty Liberal victories in the Boroughs. My Tory friends on board were rather upset, and asked me my opinion on the position. I was too wary to give myself away (as usual, I was about the only Liberal among the Anglo-Indian passengers), and minimised to my friends the importance of these first returns. At our next port of call, Suez, I received a telegram from my mother to the effect that Liberal gains amounted to 120 seats, that my father had won Midlothian, and that my brother Herbert, after a big fight in Middlesex, was likely to be returned for Leeds. Passengers crowded round me and asked for news, and I read out the telegram. Thereupon a Military Colonel stepped on to the skylight, and in sad but emphatic tones declared to the surrounding Company: "The downfall of England commences from this date."

At this time my father was fairly well pleased with the outlook for public affairs:—

> "Afghanistan is in the main evacuated—the Transvaal is restored. Also we have at home, I hope, re-established the proper balance between income and charge, which is the essential condition of all good finance."

On March 3, 1882, after discussing family finances and the condition of Ireland and the "Bradlaugh business," he concludes:—

> "It will I hope be my last Session as Prime Minister. I have now held that office over seven years. In the last century only three have held it longer: Lord Palmerston, Lord Liverpool, Mr. Pitt.
>
> "We have a poor Revenue, but it must improve more or less with trade. For this year I cannot hope to do much more than make ends meet."

At this time my father usually consulted me about investments. In one of his letters, June 23, 1882, he observes: "I am not like one of your great merchants with masses of money always going backwards and forwards, but I am

rather flush just now in a small way at my bankers, so that if you want to get anything you had better take me while I am in the humour for it!"

Next year Lord Ripon, the Viceroy, and Sir Courtenay Ilbert, the legal member of his Council, brought forward the Ilbert Bill, which extended the powers of native Indian magistrates and was very unpopular with the European community in Calcutta. "My feeling for the Bill," wrote my father (June 1, 1883), "is strong and unequivocal; it would take much to convince me that it is not in substance just and right: and as to its opportuneness, I do not think that it is disproved by the mere fact that there has been an adverse excitement among the English Residents. I read your words about the Bill with much satisfaction." My father thought, as his next letter (February 6, 1884) suggests, that limited communities like the Anglo-Indian public, are at times "apt to assume a superiority over their fellow-citizens and fellow-subjects," and was "heartily glad" that I did not allow myself to be carried away by the "narrow and domineering" sentiment aroused by the Ilbert Bill.

A brief letter of February 1885 shows that my father was not unversed in the arts of investment. "By all means," he wrote, "let S. advising with you, make his own selection—but the reason why I put in the idea of a *little* M. D. Ordinary Stock was that I thought some increasing *capital* value would be good rather than to have too high interest: I am a little jealous of additions perhaps to his present income as compared with the growth of future income."

In a letter my father wrote to me on February 12, 1886, he said: "Thanks for the capital assistance you gave me as Private Secretary. I could have or wish for nothing better." These generous words may excuse a digression. My three brothers and I acted at various times as Assistant Private Secretaries—my two elder brothers William Henry and Stephen Edward, while he was Chancellor of the Exchequer

in 1865 and 1866, myself in 1870, and my younger brother Herbert (afterwards Viscount Gladstone), from 1880 to 1885, at first for his whole time, and afterwards for part time when he joined the Administration as Junior Lord of the Treasury. Later on, during four years of opposition from 1887 to 1890, I again acted in this capacity, and also during his last Ministry whenever he was absent from London. When he was in Downing Street the official staff dealt with all matters of routine. It was, of course, the rule when he was in office for his Secretaries to answer from Downing Street all the letters received. When he was out of office it was very different, and a few remarks on his vast correspondence and how we dealt with it at home may be added here.

A general idea existed that he was ready to write any number of letters, and correspondents certainly did their best to draw him; but their attempts were almost always unsuccessful. During the Eastern crisis and the Irish Home Rule movement, when feeling ran very high and controversy was often bitter, the number of letters and papers received daily at Hawarden averaged about one hundred. All these would pass through my hands or through those of my brothers or sisters acting in the same capacity. I communicated to him briefly the contents of one-fifth, and he would read those of importance. About half of my selection, or one-tenth of the whole number, he usually retained and answered, in the proportion of three holograph post-cards to two letters in his own hand. For the balance of ten per cent. I wrote brief thanks or acknowledgments. The remaining eighty per cent. received no reply of any kind. Under this ruthless system about sixty letters and post-cards per week left the Castle carrying his signature; and, as not a few of these were published, an altogether exaggerated impression was formed about his practice of answering letters. To have answered more than a small percentage would have been impossible for one who did not dictate to a shorthand writer. There were, of course, times when the inflowing

tide of correspondence rose to an abnormal height. On his birthday some five hundred letters and parcels used to arrive, and his correspondence was swollen for several days afterwards.

So far I have spoken mainly of the methods he adopted for dealing with correspondence when he was out of office or at home on holiday. When in office he had, of course, the assistance of private Secretaries from the public service. He was always very careful in choosing those in whom he intended to repose trust, and once the choice was made, his confidence in them was whole-hearted and unbounded. Consequently, as Sir Edward Hamilton made clear in the monograph quoted in a previous chapter, his relations with his private Secretaries were of the happiest and most intimate kind. He was fortunate in his choice, and they rewarded his confidence with invaluable services, with loyalty and devotion. Among them were several men of high distinction, who had entered the Treasury in the 'sixties or 'seventies, like Sir William Brampton Gurdon, Sir Henry Primrose, Sir Horace Seymour, Sir Edward Hamilton, and Sir George Murray. They were all thoroughly imbued with the Gladstonian spirit in finance and with those principles of rigid economy which he practised and inculcated alike in public and private life. Lord Welby, who entered the Treasury after the Crimean War, became and remained a close personal friend, and was a constant and valued adviser, with whom he took counsel on all matters of public finance. Besides the information he could always draw from the expert staff of the Treasury and from Private Secretaries versed in all the routine of public business and in the ways of the Civil Service, Mr. Gladstone, when at the Exchequer, was constantly in touch with commercial opinion in Liverpool and elsewhere through the old Gladstone house, as well as through his brother Robertson and others. With the opinions of the City he was also conversant through George Grenfell Glyn (afterwards Lord Wolverton) of Glyn's Bank,

who acted as Chief Whip for several years. Another intimate friend whose judgment he valued was Bertram Currie, an outstanding City Banker. Among his other Private Secretaries, two deserve special mention—Sir Arthur Godley (Lord Kilbracken), who afterwards ruled for twenty-six years as permanent Under-Secretary of State over the India Office, and Sir Algernon West, who in 1892 accepted a special position as his principal Private Secretary with authorised duties as a liaison between the Prime Minister and his colleagues. I well remember Sir A. West expatiating on the notable impressions made on Inland Revenue high officials during consultations on revisions of Duties and Tariffs by Mr. Gladstone's remarkable knowledge of his subject and his complete mastery of details.

Among others who served him as Private Secretaries in early days were Sir Stafford Northcote and Sir Charles Ryan, and in later days Sir James Carmichael, Spencer Lyttelton, George Leveson Gower and H. Shand. My father always held, and with good reason, that no Prime Minister had ever been better served by a more competent and loyal Secretariat.

I have frequently been asked about Mr. Gladstone's practice in preparing speeches and as to his use of notes. Since I accompanied him as Private Secretary on many of his political campaigns, I can testify to facts from personal experience. I was with him on three Midlothian political tours, including the General Elections of 1885 and 1892, when we were Lord Rosebery's guests at Dalmeny. I also accompanied him on his campaigns to Nottingham, Devonshire and Cornwall, Norwich, Newcastle and Manchester. On most of these journeys he was pressed to make short speeches at railway stations. No notes were made for these, but for his important speeches on public policy at great provincial meetings it was his custom to make concise notes usually on small half-sheets of papers.

On some few occasions he wrote out a peroration.

For his Budgets* he prepared, and skilfully used, very full notes, crammed with figures; and when introducing great measures in the House of Commons he was, of course, armed with written memoranda. I have heard him say that no speech gave him so much trouble as the one introducing his Irish University Bill in 1873, a very complicated measure, for which he had prepared full and elaborate notes. And the worst of it was that the Bill was defeated.

Good judges have held that his impromptu speeches in Parliamentary debates were often even more effective than those which he had carefully prepared for great occasions. From 1870 to 1873, I was constantly in the special gallery of the House of Commons listening to the famous duels between Mr. Gladstone and Mr. Disraeli. In later years, during his second and fourth administrations, I frequently dashed round from my seat in or under the Gallery through the Lobbies to his private room in order to walk home with him to Downing Street.

After my marriage in 1890 down to my father's death in 1898, my wife and I were constantly with my father and mother, looking after them and the household.

In 1896 at Pennmaenmawr, when recasting his Will, he showed me his draft and invited my comments. My suggestions, of some minor importance, were included in his holograph Will signed and dated November 26 of that year. The Will is written out in a small lightly bound notebook now deposited at Somerset House. Not a word of alteration was required. Others may know of similar action; I confess that I felt very proud of the confidence shown in me on this occasion as the business member of the family. I may here also record that, it being considered advisable to obtain his authority for me to act for him in case of need in his last illness, I had the necessary document prepared. I presented it to him one morning without notice, and

* Chancellors of the Exchequer still use Mr. Gladstone's despatch box for their Budget Speeches.

recommended him to sign. He did so at once without any question. Confidence again came in here. The authority was never used. It is at present amongst the archives at Hawarden.

Much has been said and written about my father's methodical habits and his devices for saving time in dealing with correspondence. Sir Edward Hamilton has described his tidiness. His writing Table was absolutely cleared every evening. From the very beginning of his career he was careful to preserve important letters and documents, and ten years before his death he set to work to arrange his papers and letters, and to place them in safety. On August 23, 1888, he wrote to me: "I have built my octagon at the N.-W. corner (of the Temple of Peace), and the fearful operation of sorting and arranging letters and papers has begun. I estimate my select letters at sixty thousand. There are over five hundred (this private) from the Queen." The octagon built at the corner of his library and study (the Temple of Peace) has been described in Morley's Biography. The contents of this octagon, and most of my father's papers have now been transferred to the British Museum, where they will eventually be available to students of our national history. The scheme, which later on found fruition in the foundation of St. Deiniol's at Hawarden, is also mentioned in this letter: "I have a large scheme in prospect, a building meant to be the nucleus of (an) institution for religion and learning, but under care of the family; such is the blessing of being able absolutely to trust my children."

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