William Pitt, Taxation, and the Needs of War

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William Pitt had no desire for a war with France in 1793. While the French had lurched from bankruptcy to revolution to war, he had kept England at peace for a decade and successfully repaired the damage done to government finance by the American War. Such had been Pitt's intention from the start, according to his Cabinet colleague, Lord Grenville, who later wrote that "his views and measures...were in the outset purely oeconomical and pacific. It was his first ambition to restore by moderate and peaceful councils the strength and confidence of his country...."[1] He had no desire to risk either the financial or political equilibrium he had achieved.

Appointed First Lord of the Treasury and Prime Minister in 1783, Pitt managed to increase revenue sufficiently to cover expenditure within three years. He achieved this by persuading parliament, first, to increase duties on a multitude of items, especially the luxuries of the well-to-do, which were traditional objects of taxation, and, second, to cut the tax rate on tea so much that smuggling it became unprofitable. In the interest of efficiency, he consolidated three different boards into one Board for Taxes to administer a host of duties, henceforth known collectively as the assessed taxes, on everything from carriages to windows.[2]

Pitt's biggest financial problem was the enormous national debt, which by 1783 consisted of some £243 million in government loan stock. Interest consumed over half the government's annual revenue. To deal with a debt of that magnitude, Pitt revived Walpole's idea of a sinking fund in the hands of independent commissioners to protect it from raids by the First Lord of the Treasury that is, by himself or his successors. £1 million annually was allotted for the sinking fund, beginning in 1786. From 1792 onward, another £200,000 per annum was added.[3]

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[1] Duke University, William Wyndham Grenville, first Baron Grenville, "Commentaries of My Own Political Life and of Public Transactions Connected with It," ch. 3, pp. 8-9, n.d., Hamilton Papers, Box 150 (photocopy).

[2] John Ehrman, *The Younger Pitt; the Years of Acclaim* (London, 1969), pp. 243, 251. *John Holland Rose, William Pitt and National Revival* (London, 1911), pp. 184, 187-88.

[3] 26 George III, c. 31; 32 George III, c. 12.

This arrangement which came to be known as the Old Sinking Fund dealt with the existing debt. In 1792 Pitt set up the New Sinking Fund to provide for the systematic redemption of any future debt. Under this plan, taxes equal to one percent of the capital of each new loan contracted by the government were paid into the sinking fund, which would redeem these loans within a period of forty-five years from their creation.[4] This seemed the finishing touch to Pitt's entire financial policy, guaranteeing the eventual elimination of any and all debt.[5]

When war came in 1793, in spite of Pitt's efforts to avoid it, he was determined to preserve this sinking fund scheme. He spelled that out in the first budget speech of the war:

> What in the first place, is to be looked to, is the vigorous and effectual prosecution of this war, in which we have everything at stake .... But there is another object to be attended to. Whatever degree of exertion may be made in the present contest, which involves the dearest and most sacred objects, still we must not allow ourselves to neglect what likewise involves in it the permanent interests of ourselves and our posterity. I not only mean still to employ the annual million for the reduction of the national debt, but likewise the sum of £ 200,000 which was last year understood to be set apart for that purpose, so as to provide, even during the continuance of war, for the lessening of the debt.[6]

But while the sinking fund paid off old debt, Pitt busily accumulated new liabilities. He kept taxes low by borrowing to cover the expense of war. The policy was traditional: pay for the war through loans, and increase taxation only enough to pay the interest on the added debt. Of course, this policy meant that taxation increased every year. For the first loan of the war, the taxes necessary to pay the interest amounted to only £ 250,000, but for the larger loan of the second year, £650,000 were needed. The effect was cumulative: the added burden of taxation in the second year of war totalled £ 900,000. The third year piled £1,100,000 on top of that for a total of over £ 2 million by 1795.[7] Moroever, since borrowing for the war grew faster than the sinking fund could pay it off, the national debt rose instead of declining.

The financial strain began to tell by the fourth year of the war. The

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[4] 32 George III, c. 55. Ehrman, *The Younger Pitt*, p. 268 and n. 3 and 5. Devon RO, anon., memo. on sinking fund, n.d. [probably 1802], Sidmouth Papers, 152M/C1803/OT25.

[5] J.E.D. Binney, *British Public Finance and Administration 1774-1792* (New York, 1958), pp. 276-78.

[6] William Pitt, *The War Speeches of William Pitt the Younger* (2d ed.; Oxford, 1916), pp. 78-80.

[7] J.J. Grellier, *The History of the National Debt* (London, 1810), pp. 371, 377, 382.

deluge of paper depressed the value of government securities. The government's principal loan contractor, Walter Boyd, lost so much as a result of declining prices for government loan stock that he faced bankruptcy.[8] Shortage of credit and of specie caused the British government to fall behind on the installments of its loan to Austria.[9] In February 1797 the government dealt with a run on the banks by ordering the Bank of England to suspend the convertibility of its notes into cash, effectively taking Britain off the gold standard, a measure damaging to the country's confidence.[10] The financial crisis of 1797 probably contributed to the refusal of His Majesty's Government to meet the demands of the sailors in the Royal Navy for better pay. Mutiny followed at Spithead and the Nore.[11] The debt exceeded £ 350 million, and interest rates reached their highest point ever in June 1797.[12]

What made Pitt cling through four years of war to the increasingly costly policy of 1793? The answer is that he was never committed to all-out war. Clive Emsley recently argued that the French Wars between 1793 and 1815 were closer to twentieth-century total war than the usual eighteenth-century conflicts, which were limited in their objectives, were not ideological, and were not mass movements. This may be so, if one views the whole twenty-two years together. And, indeed, these wars may have affected British society as profoundly as industrialization, as Emsley maintained.[13] But Pitt could not know all that in 1793, or even 1797; he could not know that the war would last over twenty years, that it would consume the energies of a generation, that it would outlast the lives of both himself and Fox as well as the sanity of the king. And he lacked the vision to foresee, as Henry James did the day after war began in 1914, "the plunge of civilization into this abyss of blood and darkness."[14]

Pitt had no such apocalyptic turn of mind. Instead, he based his financial policy, and, indeed, his entire conduct of the war on the assumption that the conflict would be over relatively soon.[15] He attempted to convince the House of Commons, as perhaps he had convinced himself, that France must soon collapse through her own financial mismanagement.[16] As late as July 1797, one of Pitt's informants assured him that the

[8] Karl Ferdinand Helleiner, *The Imperial Loans; a Study in Financial and Diplomatic History* (London, 1965), p. 76.

[9] John M. Sherwig, *Guineas and Gunpowder; British Foreign Aid in the Wars with France, 1793-1815* (Cambridge, 1969), p. 89.

[10] PRO, Lord Auckland to Pitt, Apr. 20, 1797, Chatham Papers, 30/8/110, f. 381.

[11] John Holland Rose, *A Short Life of William Pitt,* (hereafter *Short Life*), (London, 1925), p. 138.

[12] Brian R. Mitchell and Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge, 1962), p. 402. Rose, *Short Life*, pp. 138-39.

[13] Clive Emsley, *British Society and the French Wars 1793-1815* (Totowa, N.J., 1979), pp. 2, 4, and *passim.*

[14] Henry James, Aug. 5, 1914, quoted in Paul Fussell, *The Great War and Modern Memory* (New York, 1977), p. 8.

[15] Rose, *William Pitt and National Revival*, p. 195.

[16] E.g., *Cobbett* 31:1295 (Feb. 5, 1795).

French Directory must soon make peace out of financial desperation.[17]

This confidence was misplaced, for it was Pitt himself who tried to make peace in 1797 because of a deteriorating financial position.[18] By comparison, the French appeared to have discovered the secret of eternal war. Bonaparte could promise his unpaid, ill-clothed army limitless plunder: "I will lead you into the most fertile plains in the world," he later claimed to have told his troops before marching into Italy. "Rich provinces and great cities will be in your power. There you will find honour, glory and wealth."[19] Bonaparte's financial policy was contained in his dictum that "War must support war."[20]

The conservative nature of their cause inhibited the anti-French, counter-revolutionary forces in Europe from employing the ruthless means by which the French Republic sustained itself. Not only were the British and the continental monarchies allied with them generally on the defensive, which considerably decreased their opportunities for plunder and exacting tribute; they also could not suspend in their own interest the rules of civilized behavior for which they professed to be fighting.[21] Forced loans, capital levies, confiscation, and reckless inflation did not form part of the acceptable repertoire of the traditional minister of finance.

From the beginning, Pitt had stressed "the value of the present order of things."[22] To abandon that "order of things" would have sacrificed the end to the means. In financial terms, a truly radical commitment to all-out war would have meant, first, the suspension of the sinking fund; second, much larger loans; and, third, much higher taxes. Such measures would have made possible a vast expansion of the war effort and might have allowed England and her allies to go over to the strategic offensive, but only at the cost of immensely increasing the present and future burden on the English people.

Pitt never really considered it. There were two immediate and, in Pitt's view, very good reasons. One was his view of the nature of the war and his hope for a negotiated peace. Another was his unwillingness to forsake the goal of reducing the national debt. Since there was no budget surplus in wartime, the £1.2 million for the sinking fund had to be borrowed, but doing so did preserve the commitment to abolishing the debt within a finite term of years.[23] It reassured the public, as it reassured Pitt, to know

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[17] PRO, Sir Francis d'Ivernois to [Pitt], July 2, 6, 1797, Chatham Papers, 30/8/147, ff. 289, 291.

[18] Pitt to George III, April 9, 1797. Philip Henry Stanhope, fifth Earl Stanhope, *Life of the Right Honourable William Pitt* (London, 1861-62), III, iv-v (appendix).

[19] Napoleon Bonaparte, quoted in Felix Markham, *Napoleon* (New York, 1966), p. 41.

[20] Bonaparte, quoted in Rose, *Short Life*, p. 134.

[21] A point made by Helleiner, *Imperial Loans*, p. 178.

[22] Pitt, *War Speeches*, p. 91.

[23] A point made by Binney, *British Public Finance*, p. 116, and P.K. O'Brien, "Government Revenue, 1793-1815: a Study of Fiscal and Financial Policy in the Wars Against France" (D. Phil. thesis, University of Oxford, 1967), p. 233.

that the work of reducing the debt was proceeding, no matter how illusory the progress. A memorandum in his papers shows that the sinking fund had redeemed £19 million debt by 1796, and would elminate another £6 million by 1799.[24] It made no mention of the £47½ million added to the capital of the debt by the war.[25] In any case, everyone agreed that the sinking fund strengthened government credit and therefore saved an undetermined amount by keeping interest rates lower than they would have been without it.[26] As far as Pitt was concerned, both the aim of a negotiated peace and continued debt reduction were still attainable in 1797, when the war reached a turning point diplomatically, and when he also revised his financial policy.

Holland Rose, Pitt's biographer, drew the conclusion that the failure of the peace talks in 1797, after Bonaparte's *coup d'état* of Fructidor, changed Pitt's mind about the war.[27] The evidence is otherwise. Two months after Fructidor, Pitt told the House of Commons that the French people, if not their government, wanted peace. The British government had been sincerely committed to making peace in the recent negotiations and would be willing, he said, to undertake new negotiations in the future. He looked forward to peace between the two countries: "God grant that day may be soon!" he said.[28] Pitt's statement about the "vigorous and effectual prosecution of this war" must be understood within that context.

One justification for Pitt's optimism—which did not necessarily require any—was the situation in Prussia, where King Frederick William II lay dying. The old king died on November 16, but it was Christmas before Pitt was convinced that the new ruler—"the person from whom we expect the safety of Europe"—was no better than his predecessor.[29] In the interval, from October to December, Pitt still hoped for a shift in Prussian policy. Therefore, the new financial plan which he drew up during that period did not contemplate a larger war; indeed, it actually projected a decline in military spending.[30]

What Pitt wanted was not a full-scale mobilization of national resources such as the French had attempted under the direction of the Committee of Public Safety, setting up musket workshops in the parks of Paris and drafting workers. Rather, he wanted a way to finance the war

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[24] PRO, [Pitt], memo. on discharging the debt, n.d. [1796], Chatham Papers, 30/8/197, ff. 50-52.

[25] Capital of the debt as of Jan. 5, 1796. PRO, James Fisher, "An Account of the Funded Debt," Feb. 16, 1796, Chatham Papers, 30/8/275, f. 5.

[26] Pitt's various budget speeches, and James C. Riley, *International Government Finance and the Amsterdam Capital Market 1740-1815* (Cambridge, 1980), p. 125.

[27] John Holland Rose, *William Pitt and the Great War* (London, 1911), pp. 328, 568. Rose, *Short Life*, pp. 145-46, 152.

[28] Pitt, *War Speeches*, pp. 204, 205, 206-7, 208, 211.

[29] Sherwig, *Guineas and Gunpowder*, pp. 97-98. Pitt to Grenville, Dec.24, 1797. H.M.C., *Report on the Manuscripts of J. B. Fortescue, Esq., Preserved at Dropmore* (London, 1892-1927), III, 407.

[30] Pitt, financial minute, Oct. 25, 1797. H.M.C. *Dropmore*, III, 382.

without the excessively large loans and alarmingly high interest rates of the last two years. He had borrowed £25½ million at nearly 5 per cent for 1796. The next year the loans increased to £34½ million, and the rate went above 6 percent.[31] Pitt estimated that without a change in policy, he might have to borrow for 1798 at the rate of 6.7 percent.[32] Over the forty to fifty-year life of the loan, a loan of £22 million would cost the public £40 million to £50 million.[33] Worse still, from the point of view of debt redemption, the national debt rose faster as interest rates increased. When 3 percent stock sold at 100, or par, each £1 million borrowed created £1 million of debt, but when stock sold at 50, as it did in 1797, each £1 million borrowed added £2 million to the capital of the debt. Pitt decided, as he told the House of Commons in November 1797, that "if there ever can be a moment in which necessity calls for a change of system, that moment is now arrived."[34] It was high interest rates, not Fructidor or a new commitment to the war, that brought a change.[35]

The new financial scheme which Pitt devised was specifically designed to allow the government to borrow at a lower interest rate.[36] In a recently published study of eighteenth-century international finance, James C. Riley noted that the pressure of the war against France threatened the cheap credit which England had traditionally enjoyed. To save cheap credit, Pitt had to increase taxes and borrow less.[37] He therefore proposed in his budget for 1798 to raise £7 million by new taxation and to borrow only £15 million. Since £3 million could be obtained from the Bank of England without resorting to the money market, only £12 million needed to be borrowed in the usual way, by selling stock, and £4 million of that could be borrowed without adding to the total debt since the sinking fund would redeem an equal amount in the current year. The redemption of the remaining £8 million would be made a charge on the new war tax itself. It could thus be repaid in a short time, and no net addition to the national debt would result, if Pitt's new taxation were continued for a while in peacetime.[38] Pitt calculated "the prospect of such quick redemption [of the loan], added to the continual and progressive operation of the present Sinking Fund," would allow him to borrow at 6 percent instead of

[31] William Newmarch, *On the Loans Raised by Mr. Pitt During the First French War, 1793-1801; with Some Statements in Defence of the Methods of Funding Employed* (London, 1855), p. 39.

[32] PRO, [Pitt,] memo. on finance, Oct. 11, 1797, Chatham Papers, 30/8/273, f. 36.

[33] 1 *Cooke* 9:191 (Nov. 24, 1797) (*The Senator; or, Clarendon's Parliamentary Chronicle*).

[34] 1 *Cooke* 19:191 (Nov. 24, 1797). Also quoted in *The Times*, Nov. 25, 1797, p. 1d

[35] According to George Rose, Pitt's Secretary to the Treasury. George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures of Great Britain, from 1792 to 1799* (London, 1799), p. 29.

[36] PRO,[Pitt] memo. on finance, Oct. 11, 1797, Chatham Papers, 30/8/273, ff. 34-35.

[37] Riley, *International Finance*, p. 125.

[38] *Cobbett*, 33:1053 (Nov. 24, 1797).

nearly 7 percent.[39] "My proposition," he told the Commons, "...would not only furnish a current supply, but quicken the redemption of the national debt."[40]

He explained the connection between the new policy and debt redemption in the budget speech:

> By means of the sinking fund, we had advanced far in the reduction of the national debt.... But...we shall have far to go before the operation of that fund, even under the influence of peace, can be expected to counteract the effects of the war.... The principle I have in view is such that...we shall not owe more than at the beginning. I cannot, indeed,...say that the war will not stop the progress of the plan of liquidation; but if the means to which I look be adopted, it will leave us at least stationary—it will leave us where we were.... Its effects...will go farther, it will go to the exoneration of the nation from increased burthens and to the relief of those who are to follow us....[41]

The means to which Pitt looked were more radical than anything he had before attempted in the realm of taxation. The new tax, the triple assessment, passed the House of Commons in January 1798. Pitt's recent biographer, John Ehrman, referred to it as a traditional method of taxation.[42] This is true only in a limited sense. The triple assessment did follow the customary path of taxing the luxuries of the rich.[43] And it did employ the existing assessed taxes as the basis for its rates, allowing it to fall under the administration of the established Board of Taxes so that it certainly broke no new ground administratively.[44]

However, the innovative nature of the triple assessment has been little understood. To begin with, most studies of Pitt or his period have referred to his tripling, or trebling, the assessed taxes.[45] He did nothing of the sort. Rather, he devised a kind of jury-rigged income tax based on past payment of assessed taxes. If a person had paid a certain amount in assessed taxes, that was taken as proof of a certain level of income, and he was taxed accordingly on a graduated scale. Thus someone who had paid £20 in asssessed taxes paid three time the amount, or an additional £60, under the triple assessment, while someone who had paid £100 in assess-

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[39] PRO, [Pitt,] memo on finance, Oct. 11, 1797, Chatham Papers, 30/8/273, ff. 33, 36.

[40] *Cobbett,* 33:1054 (Nov. 24, 1797).

[41] *Cobbett*, 33:1052, 1053, 1054 (Nov. 24, 1797).

[42] Ehrman, *Younger Pitt*, p. 255.

[43] *The Times*, Nov. 10, 1797, p. 2a.

[44] Triple Assessment Act (1798). Danby Pickering (ed.), *Statutes at Large*, (Cambridge, 1762-1807), XLI, 549: 38 George III, c. 16, sec. 43.

[45] E.g., Emsley, *British Society*, pp. 70, 71; Rose, *Pitt and the Great War*, p. 328; Sir Arthur Hope-Jones, *Income Tax in the Napoleonic Wars*, (Cambridge, 1939), p. 14.

ed taxes paid four times that, or £400.[46] But the unprecedented feature of the triple assessment was that it offered the taxpayer the option, by submitting a declaration of income to a panel of commissioners, of paying on the basis of annual income according to a scale graduated from 0.8 percent to 10 percent.[47] The historians of the income tax, E.R.A. Seligman and Sir Arthur Hope-Jones, viewed the triple assessment as an augmentation of the existing assessed taxes, not as a new measure with much of the mechanism of an income tax.[48] Seligman went so far as to admit that the triple assessment brought "the assessments ... into some relation to income."[49] But Hope-Jones saw the triple assessment as different from an income tax because it was based on past assessments, and therefore past expenditures—at best a crude indicator of present income.[50] Another historian of English taxation, William Kennedy, came closer to the mark when he called the triple assessment "a half-way house between taxes on expenditure and a direct tax on income."[51] Only Holland Rose recognized it for what it was: "a rather cumbrous form of graduated Income Tax."[52]

There was less uncertainty about its nature in 1797. *The Times* departed from its usual custom of placing advertisements on page one by printing Pitt's speech there, recognizing the importance of the triple assessment and the new financial plan. Pitt himself called his tax "new in practice." The £7 million it was intended to raise was an amount which, he said, "far exceeds the produce of any tax in any former period."[53] He estimated that 700,000 to 800,000 households in Great Britain, perhaps sixty percent of the population, would pay the tax.[54]

The triple assessment was a radical innovation, but it was undertaken in the service of protecting debt redemption. Pitt's next step financially followed the same path. In April 1798, three months after the enactment of the triple assessment, Pitt brought in a plan "to absorb a great quantity of stock" and thereby "diminish the capital" of the debt by means of a sale, or redemption, of the land tax. The plan, which apparently was contemplated even before the triple assessment was introduced, provided for the purchase of the land tax upon a piece of property by the payment into the sinking fund of a quantity of stock, not money, sufficient to produce interest twenty percent greater than the annual amount of tax

[46] 3 *Debrett* 4:327-28 (Dec. 4, 1797).

[47] *Ibid.* Also Triple Assessment Act (1798). Pickering, *Statutes at Large, XLI,* 537-39: 38 George III, c. 16, sec. 4.

[48] Edwin R.A. Seligman, *The Income Tax; a Study of the History, Theory, and Practice of Income Tax at Home and Abroad* (New York, 1911), p. 65. Hope-Jones, *Income Tax*, p. 14.

[49] Seligman, *Income Tax, p. 66.*

[50] Hope-Jones, *Income Tax*, p. 14.

[51] William Kennedy, *English Taxation 1640-1799; an Essay on Policy and Opinion* (London, 1913), p. 169.

[52] Rose, *Short Life*, p. 149

[53] *The Times*, Nov. 25, 1797, p. 1a-d.

[54] 1 *Cooke*, 19:182, 183 (Nov. 24, 1797).

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redeemed.[55] This meant that, at the current price of 50 for three percent stock, a person had to pay £20 for the £40 of capital necessary to cancel £1 of tax. It was thought this measure might redeem £80 million of three percent stock.[56] Pitt later considered selling off the tithe in the same way, although nothing ever came of that particular way of reducing the debt.[57]

Had the triple assessment and the sale of the land tax been sufficient to provide cheap war loans and continued hope for debt redemption, Pitt might have continued along these lines indefinitely. But neither was satisfactory. Landowners proved reluctant to redeem the land tax at twenty years' purchase. Worse, taxpayers found the triple assessment easy to evade. It was "notorious," that the old assessed taxes were, according to *The Times*, "most shamefully evaded,"[58] but the triple assessment opened up whole new vistas of fraud. Since the amount of tax to be paid depended upon a taxpayer's previous payment of assessed taxes, which was fixed and irreversible, it was virtually impossible to evade unless—and this was the catch—he chose to declare his total income and be assessed on that basis. A declared income of £200 required a payment of £20. An income of £100 resulted in a tax of only £2 10s. Declaring an income below £60 exempted one altogether. Since the only requirement was a simple declaration of the estimated amount of annual income with the signatures of two witnesses, fraud was a great temptation.[59] It seems hardly surprising, therefore, that the triple assessment fell short of its budgeted yield.

The Income Tax Act of 1799 repealed it and replaced it with a graduated levy on all incomes above £60, not just payers of the assessed taxes.[60] The new measure attempted to remedy the most glaring fault of the old by requiring that annual income be estimated according to detailed schedules, making evasion at least more time-consuming.[61] But the rates were precisely the same as the income tax option under the triple assessment.[62] The income tax has often been regarded as the beginning of modern taxation. Kennedy wrote that "the nineteenth century may be said to have opened, so far as matters of taxation are concerned, with Pitt's Income Tax."[63] But in several ways, such as the graduated rates, it

[55] 1 *Cooke*, 20:727, 732-33 (Apr. 2, 1798); W.R. Ward, *The English Land Tax in the Eighteenth Century* (London, 1953), p. 135 and n. 2.

[56] 1 *Cooke* 20:729, 732-33 (Apr. 2, 1798). PRO, [John Fordyce] to Pitt, Mar. 8, 1798, Chatham Papers, 30/8/136, f. 141. PRO, Pitt, memo. on redemption of land tax, n.d., Dacres Adams Papers, 30/58/8, item 151.

[57] Suffolk RO, Pitt to Bishop of Lincoln, Sept. 9, 1798, Pretyman-Tomline Papers, HA 119: T 108/42, folder "1795-8".

[58] *The Times*, Dec. 18, 1797, p. 2d.

[59] Triple Assessment Act (1798). Pickering, *Statutes at Large*, XLI, 580-81: 38 George III, c. 16.

[60] Income Tax Act (1799). Pickering, *Statutes at Large*, XLII, 55: 39 George III, c. 13, Sec. 1.

[61] Pickering, *Statutes at Large*, XLII, 88: 39 George III, c. 13, sec. 87.

[62] Pickering, *Statutes at Large*, XLII, 55-57: 39 George III, c. 13, sec. 2.

[63] Kennedy, *English Taxation*, p. 168.

followed the trail broken by the triple assessment. Even administratively it created nothing new. The same commissioners who executed the triple assessment in 1798 were empowered the following year to put the income tax into operation. The various inspectors, surveyors, assessors, and collectors under their supervision carried on as before. [64] Sir Arthur Hope-Jones overlooked this when he described the organization for collecting income tax as "hastily improvised," but he was exactly right in stating that it was "built on the existing fiscal machinery."[65]

More important, though, the income tax took the place of the defunct triple assessment in Pitt's overall policy. It took over the interest on the debt charged upon the earlier measure, and it was pledged to the eventual redemption of that debt.[66] In his speech proposing the income tax to the House of Commons, Pitt explicitly linked it to his policy of debt redemption.[67] The income tax could be continued for a few years after the war to redeem all the debt charged upon it, after which the sinking fund would eventually pay off the debt accumulated before the new policy began in 1798.[68]

From the outbreak of the war to the enactment of the income tax, therefore, Pitt consistently guarded the financial gains of the pre-war years, particularly the sinking fund. When heavy wartime borrowing and the associated higher interest rates threatened to swamp the sinking fund and demolish his dream of redeming the debt, Pitt resorted to such radical expedients as a graduated income tax and selling off the land tax. But he did so largely to preserve the sinking fund, not in order to fight a larger war. Pitt viewed the war as limited in its objectives, and therefore saw no compelling reason to adopt the new principles of revolutionary finance. The nearest he came was to propose, but not carry out, the despoliation of the church by selling the tithe. By comparison to the plundering by the revolutionaries across the Channel, Pitt's ten percent income tax was tame. While the triple assessment of 1798 and the income tax of 1799 appear in retrospect to have begun a new era in government finance, they were intended at the time to preserve the old order.

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[64] Pickering, *Statutes at Large*: XLII, 59-60, 68-69; 39 George II, c. 13, sec. 11, 36.
[65] Hope-Jones, *Income Tax*, p. 15.
[66] Pickering, *Statutes at Large*, XLII, 106-07: 39 George III, c. 13, sec. 120.
[67] Pitt, *War Speeches*, pp. 241-42.
[68] Rose, *Brief Examination*, p. 39.

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