

**PRINCIPIA IN THE SCIENCE,
AND ERRORS IN THE PRACTICE
OF POLITICAL ECONOMY IN
THE UNITED KINGDOM**

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Principia in the science, and errors in the practice of political economy in the United Kingdom
by Alexander Gibbon

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ALEXANDER GIBBON

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The attention of the Houses of Parliament having been called to the expediency of reduction of the Public Debt, the following proposita and statements upon the subject, and upon some correlative subjects, are offered for consideration of Members of the Legislature.

ON THE PUBLIC DEBT.

IF peace succeed war, and war peace, in all time hereafter, as in all time heretofore, the cost of the wars being defrayed by monies raised, not by taxes, but by loans, for payment of which the lenders, having demand for the interest contracted to be paid, have no demand for the principal money lent, though bound to accept payment of it when the sum contracted to be paid for it is legally tendered. And, if in each succeeding peace, the loans for the cost of the last preceding war be not paid, but each successive war be carried on by monies not raised by taxes but by such loans, the insolvency of the realm must happen, some time or other, how remote soever that time may be.

Of the 800 millions of the present Public debt of the United Kingdom, more than 250 millions are debt for which the lender never gave, and the public never received, any value or consideration whatsoever, but which must nevertheless, in honour and honesty, as well as in law, be paid in full, if such payment be insisted upon by the lender.

Such artificial debt was created by the practice of continually insanely raising money upon stocks, carrying a rate of interest lower than the rate of interest in the market, at the times of the loans being contracted for—*e.g.*, in the year 1797, when £100 of 3 per cent. stock was worth only £48 in the market, a loan was contracted for, for every £48 of which the public covenanted to pay an annuity of £3 or 6½ per cent. per ann. on the money borrowed and lent; and for the £48 lent, to pay £100, which must be levied by taxes and paid, at loss of £52 on every £100 of the whole loan (more than 108 per cent. on the money borrowed and lent), if by force of law the annuity of £3, without consent of the lender or holder of it, be redeemed.

An individual borrower of money, on such terms, would be considered on the high road to ruin; and the lender, a griping usurer, deserving no pity if he should lose his whole stake in such a transaction; and it is not easy to see any difference in the character of it, from the circumstance of the public or state being one of the parties to it.

The bare mention of a loss of 250 millions is startling, and as a fact seems incredible; but it is a fact which can be easily proved, v. Appendix A. And the loss on contracts for loans has been greatly increased, and the value of the Public debt most dishonourably and dishonestly depreciated, by stopping the income tax from the interest of it.

In a speech of the late Sir Robert Peel, made on 13th February, 1831, in the House of Commons, on a proposal by the then Government for the imposition of a small tax on the transfer of stock in the public funds, he said (Hansard, vol. ii, Third Series, p. 441), "All the Acts for raising public loans are nearly in the same words, and could any words be more distinct and binding, or admit of less doubt."

"How was it possible to rail the seal from off the bond? It was upon this express condition that the public creditor advanced his money, and if this condition were forgotten they would violate good faith, and depart from that proud position which this country had always occupied in contradistinction to every other country in its dealings with its creditors." See further on this subject, p. 9, 10, post.

Relief from some part of that enormous loss might be obtained by making a contract with the Stockholder, the reverse of that under which such loss was incurred, viz., by creating stocks carrying a rate of interest higher than the rate of interest in the market, in exchange for 3 per cent. stock, if consent of the stockholder could be obtained to such exchange, which it would be much for the benefit of many of them to make, *e.g.*, if £100 of stock, irredeemable until all stock at lower rate of interest be redeemed, carrying interest at 4 per cent. per ann. were offered and accepted for every £133 : 6 : 8 of 3 per cent. stock transferred to the Commissioners for reduction of the Public debt, the stockholder would receive the same amount of interest on the £100 of 4 per cent. as he now receives on the £133 : 6 : 8 of 3 per cent. stock, viz., £4 per ann., and the Public debt would be reduced by £33 : 6 : 8 on every £133 : 6 : 8 so transferred, *i.e.*, by 25 on every £100 of 3 per cent. stock. If 80 millions of debt were so converted, the gain to the public 25 per cent. thereon would be 20 millions. And if the whole 800 millions of debt were so converted, such gain would be 200 millions.

If after such conversion 3 per cent. stock should rise to *par.*, the £100 of 4 per cent. stock would then be worth £133 : 6 : 8 in money; whilst that sum of 3 per cent. stock given for it, when that stock was, as now, at 85 per cent, was worth only £118 : 6 : 8 in money.

* The words, as in 10 Geo. IV, c. 31, s. 18, are "The subscribers to the said annuities shall be entitled, by virtue of this Act, to have, receive, and enjoy the said annuities, by this Act granted, and shall have good and secure estates therein; and the said annuities shall be free from all taxes, charges, and impositions whatsoever."

ON THE GROWTH AND STATUS OF THE PEOPLE OF THE
UNITED KINGDOM.

In the progress of a rude or barbarous people towards civilization, agriculture is the first step.

By the advancement and improvement of agriculture, birth is given to the arts of life and the division of labour—to artists in raiment first, and then to artisans and handicraftsmen who minister to agriculture.

Labourers other than those engaged in agriculture—for the common convenience of themselves and the advancing society—congregate in localities in various districts of the country; and form the hamlet, the village, and the town—to the occupants of which the agriculturists bring the productions of the land, in exchange for the productions of manufacture, handicraft, or art; and trade grows and is established.

Next comes the accumulation of capital—of stocks or stores of the productions of land in the *rural districts*, and of manufactured commodities in *towns*—kept ready to meet promptly all demands for the same, by wholesale or retail.

When by industry and economy, “the handmaids of fortune,” accumulation is made of such productions and commodities, beyond what is requisite for the supply of the wants and effectual demands of the people—vent is sought for the surplus, among other nations, by exchanging with *them* such surplus, for the surplus productions of *their* soil and industry. Thus *foreign trade* grows and is established. But it is, of course, the *surplus only* of productions or commodities, beyond what is wanted by the people for *their own use*, which is exported from any country to foreign parts.

For the convenience of such *foreign trade*, sea-ports spring up on the sea-coast and on the banks of navigable rivers; to afford harbour for ships, with docks, quays, and warehouses, to facilitate the exportation and importation of, and for storing up *in transitu* from the producers to the consumers, the surplus productions exported and imported.

Foreign trade gives rise to new and more extensive divisions of labour—to the calling of the merchant, the factor, the warehouse-man, the ship-builder, the ship-owner, and the many artisans and handicraftsmen who minister to those engaged in the trades carried on in sea-port places or towns.

Before the birth of *foreign trade*, all villages and towns, the creatures of agriculture, are of necessity supplied from the *country* in which they have risen, not only with food but with all the *materiel* of the arts and manufactures carried on within them.

The foundations of *foreign trade* are laid by the Almighty in the diversity of gifts bestowed upon the nations of the world—by diversity of the structure of the crust of the earth which they inhabit, and by diversities of soil and climate. To some countries are given metals and minerals, not found in other regions; and to some are given productions of soil and climate, which will not live in the soil or climate of other countries.

It is this diversity of the gifts of providence, which is the only true and lasting foundation of the intercourse of nations. But there is a very striking difference in the bounty with which the Almighty Father of the Universe has, in his providence, been pleased to distribute those gifts among the inhabitants of this planet.

Within the Northern Arctic-circle (the region within the Southern being uninhabitable) where eternal winter reigns—where day and night are each of *six-months* continuous duration—where the half-year of day is barely sufficient for providing food and raiment by fishing and hunting—where, to preserve life, it is necessary for warmth, during the long half-year of night, to burrow in the earth—where there is scarcely any green thing—where the earth is insusceptible of culture—the inhabitants of that icy region—having no *matériel* of the arts of life—no productions to give in exchange, and therefore no commercial intercourse with other countries—seem doomed to be savages for ever.

In *that* region there being no *matériel* of labour, there can be no *division* of labour, and accordingly no village or town hath ever risen within it.

Within the tropics, where the earth almost spontaneously produces food—where raiment is a burden—and where labour under a burning sun is almost intolerable, insomuch that it is largely performed by slaves—the natives and their descendants, if not absolutely *barbarians*, are, by their position on the globe, not in a condition favourable to the development of the intellectual or physical powers of man.

But in the temperate climes, where toil is not only endurable, but, for the most part, conducive to health and strength—where the ores of all the most useful metals and other minerals abound, for fuel, for the construction of dwellings, and the fabrication of an endless variety of the necessaries, comforts, and conveniences of life—where the soil *naturally* yields but little, but, by the skill and industry of man can be compelled to yield its fruits exuberantly—the human race is found of the greatest capacity, and in its highest state of moral and physical advancement.

Taking a survey of the temperate climates on the terraqueous globe, the islands situate thereon, which compose the realm of the United Kingdom, manifestly appear to be the most favoured portion of the earth.

Their insular position not only protects them from the assaults of foreign enemies more effectually, than if the land were conterminous with other countries,

and defended only by the more surmountable natural barriers of rivers and mountains, strengthened by lines of fortifications—but it also makes their country the nurse of a more numerous *maritime* population, than any other country.

ON TAXATION.

There probably exists a principle upon which every member of a nation or commonwealth *might be made contributory to its support in due proportion to his stake and interest therein, and to his means.* Whether such a principle shall ever be discovered is more than doubtful; but that it is the duty of every government, in the taxation of the people, to approximate as nearly as possible to that principle, is manifest.

Using the words taxes and taxation to mean the contributions required by law to be made by the people, *out of their incomes*, to defray the annual public expenditure, there are only three sources whence revenue from *such* taxes can be drawn, viz., the rent profits or incomings from land, including mines and minerals; the earnings of skill and labour; and the interest, profit, or incomings from accumulated capital. There is indeed in the United Kingdom some revenue not derived from any of those three sources, viz., stamp duties on *probates of wills, letters of administration, and legacies*, and stamp duties on some deeds and instruments relative to land or other property, which are not contributions out of income, but are of the nature of fines or forfeitures on the alienation of property by death, on the sale or transfer of it, or on creating charge upon it, by the living. 2ndly. Revenue arising from Crown lands, and from small branches of the hereditary revenue of the Crown, relinquished, first by King George III, and by all the monarchs his successors, in exchange for the grant by law of the establishment called the Civil List. And, 3rdly. The revenue arising from the Post-Office, which is in no sense a tax, inasmuch as every contributor to it receives a *quid pro quo* of much greater value than his contribution to that revenue, arising from a *monopoly of the carriage of letters* granted by law to government.

In every country far advanced in civilisation, the principal or main source of revenue from taxes is from the second of those three sources, viz., the earnings of skill and labour. Of the population of the United Kingdom—29 millions of persons*—those whose maintenance is derived from skill and labour and their

	ANNO 1865.	PERSONS.
* England and Wales - - - - -	- - - - -	20,119,496
Scotland - - - - -	- - - - -	3,066,533
Ireland - - - - -	- - - - -	5,798,967
		<hr/> 28,985,096

(Statistical Abstract presented to Parliament, 1865, p. 96.)

families comprise by far the greater part. Supposing all such were exempt from taxation, or non-existent in the population, whence, it may be asked, would chiefly then be derived the 59 millions of revenue, exclusive of casual revenue and of the tax upon income annually levied in the United Kingdom?*

If a labourer could ascertain that the taxes paid by him on the luxuries, *spirits* and *tobacco*, and on the comforts and necessaries, *beer, tea, and sugar*, consumed by him and his household in a year, amounted collectively to the sum of his earnings for a month; the result would be the same to him, as if he laboured in his calling eleven months of the year for pay, and one month unpaid in the service of his country. His contributions to the public revenue cannot indeed be taken or received from him in labour, but must be obtained from him in money, by means of taxes on his consumption; but, nevertheless, what he really contributes to that revenue is a portion of his labour. And that every labourer should contribute to that revenue in due proportion to his stake and interest in the commonwealth and to his means, in return for his enjoyment of freedom and of the protection of the law, is surely free from doubt.

Before the origin or birth of *foreign trade*, all the *hamlets, villages, and towns*, the creatures of agriculture, are of necessity supplied from the *country* in which they have risen, not only with *food*, but with all the *materials* of the arts and manufactures carried on within them.

When a people have so far advanced from barbarism, as that civil institutions and civil government have become necessary, every member of the society is naturally bound to make contribution to the support of such institutions and government; and to effect such contribution, *taxes* become necessary.

In the early stages of civilization, *before the birth of foreign trade*, it would seem to be of little importance upon what commodities, or upon whom, *taxes* were laid or made to fall, *in the first instance*; provided that, in the *ultimate incidence* of them, each member of the society were made contributory thereto (as far as can be devised and effected by law), in due proportion to his stake and interest in the commonwealth, and to his means—with the least infringement of liberty, and at the least practicable expense in the imposition and collection of such taxes.

But even in that early stage of society, it would naturally occur to the rising statesman—seeing that all taxes imposed upon commodities fall upon the *consumers*

	ANNO 1865.	
* Ordinary Revenue	- - - - -	£59,055,000
Income Tax	- - - - -	7,958,000
Casual Income and Crown Lands	- - - - -	3,303,436
		<u>£70,316,436</u>

(Statistical Abstract presented to Parliament, 1865, p. 5.)