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Grenville's Economics

Lord William Wyndham Grenville

Financial State of the Country  
(1803)

Source: Cobbett, vol. XXXVI, pp. 1152-8

## FINANCIAL STATE OF THE COUNTRY

HL Deb 13 May 1803 vol 36 cc1152-8

Lord Grenville said: -My lords; we are all much indebted to the noble lord who has so ably brought forward the pre- sent investigation. But had no member of this House challenged a discussion on the important subject, I should have thought it incumbent upon me to submit to your lordships a motion of a similar tendency. I cannot help recollecting the happy impression which the minister's speech made on the country at large, when he and his friends, previously to the Christmas recess, boasted so loudly of the great increase of the revenue, and of the wonderful surplus. Neither parliament nor the people, however, aware, that, instead of a surplus, there was an alarming deficit; that ministers had not only forgotten to provide sufficiently for the expenditure, but that they appeared to have shut their eyes against the conviction of truth. In support of the observations which I am about to submit [1253] to your lordships, I shall have little more to do than to refer to the official papers of the chancellor of the exchequer, sanctioned by the noble lord (Auckland), and published to the world by their authority. Ministers have very unfortunately acted upon these fallacious data, and thence endangered the nation, and disgraced themselves. In the remarks which I am about to make, I wish by no means to damp the spirits, or cramp the energy of the country. Men may differ on matters of finance as well as on other topics of a public nature, without intending the smallest injury to their dearest rights and liberties. In calling the attention of the House to the detection of false statements, I wish to look our real situation fully in the face-I wish not to shrink from every mode of investigation which can lead us to truth. This country, thank God! has no cause for despond ency. If, unfortunately, our ministers should involve us in the calamities of war, we have ample resources to enable us to protect our freedom and independence. We have a revenue fully adequate to any public emergency; but then it is requisite, that that revenue should be under the management of men capable of discharging their duty to the public-men worthy of the confidence reposed in them by a great, a powerful, and a liberal nation-not of men, who, by a defect in judgment, and by an absence of talents, have not only involved themselves, but the country, in alarming disasters and dis- grace. Such might be said to be the true picture of their financial results. Every man of political skill and experience could not help expressing much surprise at the extraordinary mode adopted before the Christmas recess, to announce to the nation the flourishing state of the revenue. This mode maybe commendable on some occasions. A case may arise, when a deviation from the common practice in parliament may perhaps be requisite; but I cannot conceive that such a case rendered such a deviation an indispensable act at the time alluded to. If, however, it was necessary to congratulate parliament and the country on such a joyful occasion, the statement on which ministers raised the superstructure of our happiness ought to have been supported by truth. The contrary, however, was un- fortunately the real view of the subject. The financial statement on which ministers so much depended for a vindication [1254] of their conduct would not bear investigation. It was fallacious in the extreme. It certainly operated most powerfully and fatally on the monied men as well as on parliament. It has served to delude, and may serve to ruin many worthy but credulous members of society, unless speedily checked, by an exposure of its pernicious tendency. In the imaginary budget of the year, we heard of the supposed expedient of a loan. Is this the last loan that will

be deemed expedient to answer the exigency of government? If the minister could, instead of a deficit of millions, produce the regular surplus of a million a year, there would, perhaps, be little or no occasion for a loan. It was certainly a very pleasing communication to hear of a million surplus, applicable to the services of the state; but the more pleasing the communication of such news, the more mortifying when it was proved a delusion. On the very first appearance of this official statement, its internal as well as external evidence proved that it was void of foundation; and, notwithstanding the adventurous spirit of the noble lord (Auckland), who had vindicated the remarkable document, seldom or never did any statement of so short an existence turn out to be so totally erroneous. This statement, instead of exhibiting a surplus of one million, exhibited a gross deficit of upward of three millions; and the total difference between the supposed and actual state of our finances, according to the official documents, amounted to no less than 5,313,000l. The only sure mode of avoiding the recurrence of peace loans is by equalizing our actual income with our actual expenditure, and reserving it to parliament to judge hereafter whether any increase in our comparative income shall be applied in diminution of taxes or in accelerated reduction of debt. As to the expected contribution from India, if it depended upon the noble marquis's exertion now at the head of our government in that quarter of the world, I should entertain no doubt of seeing it fully realized. There are, however, two facts on which this expected contribution very much depends: the maintenance of peace in India, and also in Europe. After the due consideration of the facts, with what justice could ministers hold out so fallacious a statement to the public? I ask, what man, what merchant, who relied on the statement made by the ministers before the [1255] Christmas recess, would extend his confidence to the authors of that statement? Where is the much boasted surplus? Where is the proof of the flourishing state of our revenue? If the surplus does not exist-and it is evident that it does not-it is the duty of ministers to adopt some measure to operate its production- it is their duty to render the income equal to the expenditure. If we are to enter into a new war, let our resources be under proper management-let us fight for our rights and liberties, if reduced to the lamentable necessity, with all our national spirit, and all our energy. A noble lord had treated with indifference the maxim, that our income and expenditure ought at least to be equalized. Good God! am I not speaking in a country which has felt the truth of this principle? In a country, whose commercial existence depends upon its probity and honour? Then why deny the validity of such a maxim? But it is of a piece with the conduct of the men who have acted such a variety of characters under the same mask-who have advanced and receded-who have turned and returned-who have avowed and dis, avowed in the very same breath. But, say they- "We calculated upon certain greater reductions in the army!" Reductions in the army! I know of no other mode of effecting a reduction of the army than that adopted by our ministers for the reduction of the navy. As they have ingeniously discovered, that ships of war may be put to sea against the enemy without men, so they may, perhaps, also discover, that generals may draw up an army in battle array without soldiers! Thus, to equalize their expenditure to their income, they may easily reduce both army and navy to the skeletons of what they hitherto have been! I am not actuated on this occasion by personal animosity. I speak of them as ministers. Were I called upon to declare what part of their public conduct was the most exceptionable, I would put my finger upon their gross mismanagement of the public revenue. I wish to call to the recollection of

the House the following leading facts of the minister's finance administration:-first, his having given notice, within a very short time | after his coming into office, of a repeal, or a very considerable modification of the salt duties, amounting to near a million annually, for which he proposed no tax in substitution. Thus taking a fallacious credit for the relief which such a measure, [1256] if it had been practicable, might have afforded to some parts of the country, without adverting to the additional burthens which must have been laid on some other article, in order to replace that revenue-a pledge which seems to have been held out at the time only to gain a little momentary popularity. 2ndly, That when he came into office, he found a system established of raising a part of the supplies within the year, and this in a time of a most burthensome war. this system, which he ought to have continued, at least to the extent of discharging in that mode a considerable portion of the remaining war expenses, he has totally abandoned, and, for the discharge of those expenses, has had recourse wholly to peace loans ; and that even in the present year the amount of money to be thus borrowed in time of peace will entirely suspend the effect of the sinking fund, by increasing the public debt on one hand faster than it can be paid off on the other ; whereas it would have been the obvious policy of any wise government to have adopted such a system in peace as should have accelerated instead of retarding the reduction of the public debt, the large amount of which will be the principal difficulty with which we shall have to contend in war. 3rdly, That having for these purposes persevered in the injurious practice of peace loans, to the full extent of the whole excess of our expenditure beyond our permanent income, he has not even fairly met the indispensable duty of providing duly for the interest and gradual redemption of these loans ; he is, on the contrary, the first minister who has ever introduced into our finances the dangerous principle of anticipating future resources by raising loans on a deferred interest : That this has, indeed, in this first instance, been done to no very large extent ; but that the introduction of the principle is not the less to be condemned. 4thly, That besides this, he has acted in open breach of the wise system established by parliament, by which every future loan was to be accompanied by a sinking fund, in the proportion of one per cent of the capital borrowed. That he has carried his violation of this fundamental rule to so great an extent, that he made his whole loan last year, to the amount of 30 millions, without any such provision. This was done under the pretence of a consolidation of the two existing sinking funds, [1257] by which it was said that the whole debt would ultimately be paid off in a shorter period than before. It was true, that such an arrangement might have been proper and profitable, if, in addition to the funds to provide for the interest of the loan, other taxes to the amount required by the act of 1792, had been last year imposed, and their amount duly carried to the diminution of debt, though not to the redemption of that particular loan; or if, in any other mode, provision had, at the same time, been made for paying off within the year, such a proportionable amount of debt, as would have been equal in its effect to the annual amount thus withheld from the present operation of the sinking fund. But that the measure, unaccompanied by any such provision, operated only to relieve the present finance minister at the expense of his successors, and was, so far as it went, a direct breach of faith with the public creditors of the present day; because, although it be ultimately true, that the whole debt maybe sooner paid off, yet a smaller portion would have been paid off at the particular periods within the interval, and particularly within the next ten years, when it is reasonably to be

supposed the pressure of the public debt, and its consequent depreciation, are likely to be at the highest. 5thly, That having thus departed from the system of raising apart of the extraordinary expenses within the year-having made peace loans for that purpose, to the total suspension of the sinking fund even in time of peace-and having omitted to make a due and full provision either for the interest, or for the redemption of those loans-the minister has now brought forward a statement calculated to persuade the country, that, without any additional sacrifices or burthens whatever, our permanent means maybe expected to exceed our permanent expenditure ; whereas the truth appears to be, that to meet even the reduced expenditure which he supposes, two millions in addition to the present revenue must be raised every year, either by peace loans, or by fresh taxes, unless that necessity should hereafter be superseded by any increase of the actual revenue -a supposition on which no government can safely rely for meeting actual deficiencies ; -and that thus to meet an expenditure equal to that which he himself proposed to parliament last November, this sum of two millions must, in some of these modes, [1258] be increased to four millions. On these grounds, I shall give my support to the present motion.