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The Resort to National Debt

How had the remarkable change in public finance come about? The administrative mistakes are, with hindsight, not difficult to see. Behind them the root cause of the Crown's loss of revenue from land was a combination of greed and ignorance, together with administrative indolence and a certain amount of corruption.

The most obvious administrative failure lay in not keeping abreast of change. Although society was, compared with our own day, fairly static, it nevertheless changed dramatically over the years from an almost completely agriculturally based economy to a trading economy with a considerable international connection. At the same time commerce and finance were growing on an international scale. Moreover services in kind which characterized the early Saxon duties in return for tenure of land were being commuted into money payments. Villein services were widely and increasingly commuted into money rents in the twelfth century.²³ Yet rents did not take account of the falling value of money - largely due at that time to debasement of the coinage. Scutages redeemed for a capital payment were a disastrous mistake. When inflation is likely it is always unwise to allow the outright sale of an income bearing asset. The thirteenth century saw

significant inflation. "Average prices were certainly rising from 1150 to 1300. Between the first half of the thirteenth and the first half of the fourteenth century, wheat rose about 50 per cent".²⁴ For a century or more after 1350 they were remarkably stable.²⁵ In the sixteenth century the imports of South American silver began sharply devaluing the currency, and prices nearly doubled during the first half of the century. By the decade 1551-60 the cost of living roughly measured by a 'basket' of foodstuffs had risen to nearly four times what it was fifty years back.²⁶

Taxation (the danegeld) suffered in the same way. But more importantly the hide on which it was based, and the allocation of hides, seem never to have been reassessed. "It was already ancient in 1066,"²⁷ and therefore became increasingly unrealistic as time went on. Domesday, a remarkably speedy and efficient assessment of the nation's wealth, in some cases reflected the Anglo-Saxon hidage. It too was not brought up to date.

Knight Service commuted into scutage suffered from the same defects. By John's reign the wages of a knight had more than doubled. Scutage had not; and the fragmentation of large estates had made the return from a writ of scutage yield far less to the king than it did to the great barons. Scutage, properly levied to pay for war, resembled a tax, but was never turned into a regular scheme of taxation based on a fair and up-to-date assessment. The system "was riddled with incoherencies and practical difficulties".²⁸ In the face of resistance the exchequer after persistent efforts to collect scutage in the thirteenth century had to abandon its collection. Thus the general feudal levy and the grant of scutage, though they

were not abolished, came to an end.²⁹ Funds for mercenary soldiers and military equipment had to be found elsewhere.

War was always an expensive business, and the country was very frequently at war. The cost was a burden which the exchequer found hard to bear. This appears to be the reason for the resort to subsidies, which, having originally been raised to meet special needs such as Richard I's ransom, had by Edward I's reign become the normal method of taxing. They were useful to the king because they brought in more than the obsolete danegeld and scutage. They were preferred by the magnates because in granting them "on behalf of the people" they were enabled to avoid their feudal dues as tenants-in-chief of the Crown. Subsidies pleased some because they could be avoided, at least in part, by the unscrupulous. The very poor were exempt. The sufferers were those close to poverty, whom the levy could make destitute, to the extent of having to give up their land.

Assessment of any tax on personal property is extremely difficult. Such property can be disguised or hidden. Much depends on the honesty of the payer. The opportunities for avoidance or evasion (to use modern terminology) are by no means equal. For that reason the yield of a subsidy varied according to the mood of the people. To support a popular cause the people were more willing to pay - Richard's enormous ransom, for example, or certain of Henry V's campaigns. It was, like income tax today, to some extent a voluntary tax. In 1290, for example, a fifteenth had raised £117,000. In 1297 a ninth (a much heavier fraction) raised only £34,419.³⁰

Fourteen "searching"³¹ assessments were made between

1275 and 1332 in order to raise various fractions. The fifteenths and tenths of 1334 raised £38,170, and from 1340 onwards the fractions used were always fifteenths and tenths: a tenth from the towns and the royal demesne lands, because they were already liable to tallage, and a (smaller) fifteenth from the shires.³² The return on the tax had steadily fallen. Sir John Clapham comments (p176): "it was far too elaborate a system for the medieval, perhaps for any, administrator to work". Consequently in 1334 the assessment of that year was standardised so that each administrative unit had an agreed quota to collect in its district, so as to bring in a total of £38,170; the contribution of each shire, borough and township being assessed proportionately.³³ This took no account of fluctuations in wealth, "allowance, however, was made for decayed towns, and the yield of the tax steadily fell. Peers did not pay on their demesne land, and the landless did not contribute. When a fifteenth and tenth was voted the king knew that he would get about £30,000".³⁴ Professor McKisack further observes:

Standardisation had the effect of turning the tax on movables into something resembling a land tax and the simplification thus obtained was not without its advantages. The standard valuation was far below the real value of a tenth and fifteenth and it was too rigid ... Later experiments with novel forms of direct taxation such as the tax on parishes proposed in 1371 and the poll taxes which followed it, were the natural result of dissatisfaction with subsidies based on assessments which had never been realistic and were fast becoming obsolete.³⁵

These poll taxes were levied in 1377, 1379, and 1380. They were a disaster in the amount they realised, in their unpopularity, and above all in their unfairness when not graduated. They were a major cause of the so-called Peasants' Revolt led by Wat Tyler in 1381.

The decay of the fifteenths and tenths led in 1435 to a subsidy of a new kind. It was raised on income from land or goods: sixpence in the pound up to £100, a shilling on the remainder up to £200, and two shillings in the pound on total incomes above £400. This necessitated valuations both of land and of personal property. Theoretically at least it had the merit of being graduated according to ability to pay, and of the yield increasing as wealth increased, and the value of money fell. In practice, however, there were large-scale underpayments and evasions by the rich and privileged. Sabine³⁶ instances Anne, Dowager Countess of Stafford, assessed at £1,950, at least £500 short of her real income; also the Duke of York at £3,320 when his income was more than double. A number of other similar evasions are detailed by Professor Jacob.³⁷

There was always an idea ingrained in English tradition that 'the king should live of his own'. In the eleventh and early twelfth centuries the king did indeed live of his own. Even as late as 1404 Henry IV was petitioned by his parliament that he should live of his own, and Edward IV in 1467 announced to parliament that he intended to "lyve upon my nowne, and not to charge my subjgettes but in grete and urgent cases".³⁸ Fortescue (Works I 463) estimated that Edward IV held possession of one fifth of the land of England. Although the Crown had lost a large

part of its feudal dues, the Crown's revenue from feudal incidents was considerable. Where land fell vacant through death without heirs, or through conviction of felony, it escheated to the king who was entitled to the income from it until the land was regranted. It had become the practice to leave the land vacant for long periods for the sake of the income. Bishoprics, abbeys, and churches were left vacant for the same purpose. Magna Carta by prohibiting these abuses considerably reduced the revenue accruing to the Crown.

The Crown's revenue as supreme landlord both in feudal dues and incidents, including scutage which was supposed to pay for war, and the taxation of danegeld fell upon the rural landed interests. "The urban population, whose wealth and importance was steadily increasing were not comprehended in this scheme of finance."³⁹ The king had the right to tallage his demesne tenants, which included the royal boroughs. 'Aid' or 'gift' came to be used as a euphemism for this practice, since 'tallage' was a word associated with servitude. The levying of a tallage, the sale of a charter granting a jurisdiction, or of the right to hold a market, or a right to self-government, were the nominal methods of obtaining money from the towns. These had the defect of being grants for a capital payment which could not properly be repeated. Nevertheless various expedients were used to make the towns pay again and again: for example, by charging to have their charter confirmed, or renewed, or re-sealed by a new king, or exchanged for a slightly better charter. Yet this never produced the benefit of an assured regular income. The royal revenue was in effect extorted from the towns, and

only their ever increasing prosperity made it possible for the towns to get the better of the bargain. This they undoubtedly did, as is shown by the large surplus of wealth the rich merchants lent at interest to the king after the expulsion (1290) of the Jews, who had been lending at a normal rate of 43 per cent, and occasionally at 60 per cent.⁴⁰

The Jews had been treated abominably. Because they were under the protection of the kings, they were tallaged, and fined, and sold charters in such a manner that, bordering on ruin, many had already left the country at the beginning of the century in which they were expelled. There were some Christian moneylenders too, in spite of the prohibition of the Church. Richard I and John borrowed from Flemish and Italian merchants, and from the Knights Templar and the Hospitallers. From 1185 the Temple became a depository of royal treasure.

The pattern of royal revenue in the early years of Edward III's reign⁴¹ suggests a return of about £30,000 from ordinary revenue; some £57,000 from fifteenths and tenths on all movable property; borrowings from the Bardi and other Italian financiers averaging between some £12,000 and £20,000 a year, with around £4,000 interest charges; taxes of a complicated nature on the wool trade which (optimistically) might raise £70,000 a year. This rough and ready calculation with figures not necessarily from the same year, is sufficient to show how taxes on production - there were other commodities under tax by this time - had reached more than double the return from feudal dues, with the deficit being made up by borrowing more than twice the amount of the ordinary revenue.

Edward was a warrior king. His victories at Sluys, Crecy, Poitiers, and Calais made him popular at home. Soldiers were now virtually all professionals paid by him, at wages which (when paid - which was infrequently) compared favourably with civilian earnings. Ransom money and booty made soldiering a profitable trade for all ranks when a campaign was successful, and brought prosperity to the country as a whole. After the Treaty of Calais (1360) Edward received at least £268,000 on account of ransoms of important prisoners. But the war had caused an immense rise in borrowing by the Crown. In 1338 Edward borrowed £100,000 in Brabant. In 1343 the Italian bankers - Peruzzi - went bankrupt with £77,000 owed them by Edward. An English company of merchants then agreed to pay him 10,000 marks a year and 1,000 marks every four weeks. The Bardi, to whom Edward owed at least £103,000, also collapsed in 1346. Another similar English company of merchants gave him an advance of £4,000 and a guarantee of £50,000 a year, on which they too went bankrupt.⁴² These loans were usually secured by farming out the customs as security to the lenders.

The King borrowing from his English subjects had become one of the chief methods of making up the inadequacy of the revenue from obsolete feudal dues and taxation. The Crown was almost always in debt. Loans were thenceforward "an indispensable and normal part of the financial system of the Crown".⁴³ The treasury was empty when Henry IV seized the throne for the House of Lancaster in 1399.

At the beginning of the following century the Crown

was of necessity defaulting on its repayments. There were considerable delays of a bureaucratic kind. Creditors might get only partial repayment with a promise of the balance later. They might be asked to defer their demands. They might only get repayment at a discount. This arose in part from the funds available as security - chiefly the customs and the subsidies - being held in various centres throughout the country.⁴⁴ The fund of debt increased and incurred an ever increasing burden of interest.

Henry V was a strong and popular king whose demands usually succeeded in obtaining money enough for his wars in fifteenths and tenths from a compliant parliament, together with clerical tenths and aids from a willing priesthood. Successful campaigns demonstrated the voluntary element in this taxpaying, and also brought considerable profit, especially in ransoms.

When Henry VI came to the throne at the age of nine months in 1422, all this changed. During the next forty years England saw the loss of all Henry V's conquests except Calais (1453), the king's madness (1457), the outbreak of open hostilities between the families of Lancaster and York, and the chief battles of the Wars of the Roses. Henry was deposed and died in the Tower (1471), most probably murdered. The Yorkist king Edward IV died in 1473, and twelve-year-old Edward VI succeeded his father for two months. He too was probably murdered. Yet the Wars of the Roses did not significantly affect the working of the existing system of finance. Indeed there were considerable improvements made at the Exchequer, exemplifying once again the strength of the civil administration in times of turmoil, on which Professor

Keeton commented in respect of an earlier period (cf. Chapter 5, p.54 above). It showed itself 'proof against disruptive shocks', continuing with its job 'no matter whether kings or barons are in control'.

It was during Henry VI's reign that in 1435 the experiment already mentioned with a new kind of subsidy was made. In 1472 the Yorkist king Edward IV attempted unsuccessfully to raise a special tax of £51,000 assessed on goods and chattels in the first place, with power, if the whole sum was not obtained, to charge the deficiency on "lands and rents and other possessions of freehold". The order of preference as to the incidence of the tax is noteworthy. When the experiment failed the money was collected by the grant of fifteenths and tenths.⁴⁵

Parliament was slow to grant funds, and the government staggered on close to bankruptcy by means of loans and a complicated system of credit management. The Treasury was continually unable to pay expenses out of revenue, and grants of subsidies were used, not to liquidate current expenditure, but as security for further borrowing. The customs remained as always the backbone of the system. When the defeat and death of Richard III at the battle of Bosworth in 1485 ended the contest for the crown in favour of the Tudors, Henry VII inherited a bankrupt realm.

By that time assessments had ceased to be made for the old subsidies (fifteenths and tenths). Their yield had gradually dropped. Neither goods nor land were valued. The amount expected from each county had become standardised, taking no account of fluctuations in individual wealth, and had become a standard revenue from which

£30,000 could be expected. This was a great mistake. It was a time of inflation, and it led to ever increasing borrowing. A strong king with parliament on his side could, and Henry VIII did, get parliament to pass Acts (1529 and 1544) repudiating certain of his debts altogether.

It was in Henry VIII's reign that a new type of subsidy evolved between 1513 and 1523 to become the established form of parliamentary grant under the Tudors and Stuarts. Incomes which were fixed and could be ascertained, as in the case of holders of office or landlords, were directly taxed at so much in the pound. Merchants, tenant farmers, professional men, and others whose incomes fluctuated, were assessed on the value of their movables. The old 'fifteenths and tenths', having become increasingly obsolete as money values declined, continued to be levied, sometimes with and sometimes without the new type of tax, which alone was now called 'the subsidy'. The last fifteenth and tenth on movables was granted in 1624.⁴⁶

The essence of the Tudor subsidies is defined by Professor Dietz as "The alternate levy on either land or goods, newly assessed for each grant by royal officials and collected by them, with no exemption or remittances to favoured towns or localities".⁴⁷ Parliament appointed commissioners to supervise local officers who were to assess the tax each time it was granted, to raise a poll tax of fourpence and a graduated income tax which all had to pay.⁴⁸

In practice, however, the Tudor subsidies failed of their purpose. The graduations and the basic fraction to be paid were varied several times. "In later grants the 'super taxes' of the Act of 1523 were stripped off, and wide limits of exemption were created, to include eventually more

than half of those who had paid under the Act of 1523."⁴⁹ The trouble was that people paid on either their land or their goods, but never on both. Land had to be valued - not difficult if done with the efficiency and speed of the Domesday survey. But goods were not susceptible to a proper valuation. They could be and were hidden or moved out of the district during the assessors' visit. 'Goods' included animals, household utensils, furniture, and clothing and so on beyond a certain minimum. A lucky escape was open to those who managed to persuade the assessors to tax them in a different district to that in which their main wealth lay. At first the assessment was taken on oath, but the oath was abandoned in 1566. The 'poor' had been omitted from the tax in the mid-15th century. Of the wealthy Raleigh said "our estates that be £30 or £40 in the Queen's books are not the hundredth part of our wealth". On the other hand, very poor men were repeatedly declared to be assessed to the full value of their property.⁵⁰ In a footnote Professor Dietz observes that Lord Treasurer Middlesex was rated at £150 in 1622; a paper in his own hand, dated October 11 1620, fixed his total wealth at £90,250.

The subsidy book soon came to be relied on more often than a proper examination. Lord North having just finished assessing half of his county in 1589 wrote to Lord Treasurer Burghley: "No man was assessed at but what was known to be worth in goods at least ten times what he was assessed at, and six times more in land, and many be 20 times, some 30, and some much more worth than they be set at, which the commissioner cannot without oath help".⁵¹

“Between 1540 and 1547 there were granted six fifteenths and tenths and three subsidies; the fifteenths and tenths remained constant at something over £29,000, but the yield of the subsidies reflected both the prosperity of the country and the results of inflation; that of 1540 produced over £94,000, that of 1543 about £183,000, that of 1545 nearly £200,000”.⁵² The men who paid the later Tudor subsidies were called ‘subsidy men’.

But, as often before, the valuation and revaluation of lands and goods proved too hard for what administrative machinery there was. Goods, even lands, ceased to be valued. A county was expected to yield so much and each ‘subsidy man’ was expected to pay his share. After 1540 - 1550 no attempt to hit the small man appears; subsidy men are the bigger fish. Even for them the tradition grew up that “men must not rise in the subsidy book although they rise in wealth.”⁵³

In 1575 the Chancellor (Sir Walter Mildmay) was telling the Commons: “How favourable is the taxation of subsidies whereby far less cometh to the royal coffers than by the law is granted, a matter now known to be so usual that it is hard to be reformed.”⁵⁴

The subsidies have been referred to in some history books as land taxes. They were not. They were, as defined in *Everyman’s Encyclopedia*, “Aids granted to the king, imposed not immediately on property, but on persons in respect of their reputed estates”. They were grossly unfair, and were supportable only when they came to be paid mostly by the landed classes at a rate utterly insufficient to support the expenditure of the Crown. Like

the fifteenths and tenths before them the 'subsidy' became stereotyped and fell steadily in value. Professor Dietz has calculated the yield of a subsidy of this type in 1621 as £72,500, in 1624 as £67,000, and in 1628 as about £55,000.⁵⁵ Bearing in mind that this was a time of considerable inflation, a comparison with the earlier figures quoted above demonstrates the failure of the Tudor subsidies.