Historians of British government finance have been fortunate during the past five years in the appearance of a set of new studies. First, there are the two volumes that are the subject of the present review. Second, we have a new book by G.C.Peden, *The Treasury and British Public Policy 1906-1959* (Oxford University Press, 2000). Third, Donald Winch and Patrick K.O’Brien (eds.), *The Political Economy of British Historical Experience, 1688-1914* (Oxford University Press, 2002). Fourth, Richard Bonney (ed.), *The Rise of the Fiscal State in Europe c.1200-1815* (Oxford University Press, 1999). Finally, we have Niall Ferguson’s *Cash Nexus. Money and Power in the Modern World 1700-2000* (London: Allen Lane, 2001). Though there is some overlap, the focus and arrangement of each of these works is quite different. Daunton largely focuses on the raising of money. Peden is rather concerned with spending, and the way government chooses between the various policy priorities. The Winch and O’Brien is a rich and varied collection, often going well beyond government finance; but we should note in particular the following chapters: P.K.O’Brien, ‘Fiscal exceptionalism: Great Britain and its European rivals from Civil War to triumph at Trafalgar and Waterloo’; Julian Hoppit, ‘Checking the Leviathan, 1688-1832’; and G.C.Peden, ‘From Cheap Government to Efficient Government: the political economy of public expenditure in the United Kingdom, 1832-1914’ which, together with Peden’s new book, offers us a chronological
perspective scarcely less than that of Daunton’s volumes, though the density of treatment inevitably alters with the space available. There is also a chapter by Daunton which handily summarises much that is in his *Trusting Leviathan*. Bonney’s volume is an exception geographically, in that it covers the major European states individually, chapter by chapter, and one should also note that it complements a somewhat earlier work from the same editor, which addressed Europe thematically rather than nationally.[1] Ferguson’s volume is even more of an exception; the author’s interests are limited simply by the topic of money and the dates he sets, thus all modern world history is potentially opened to his attentions.

Our prime interest, given the present journal, is the significance of any work for naval history. It is particularly easy to see the relevance of the books by Peden and Ferguson to naval power. Peden is interested in policy-choices, so has at points to deal with what was for long, bar debt repayment, the primary object of British government expenditure - national defence. His new book greatly supplements and widens his earlier work on the financing of defence, notably *British Rearmament and the Treasury, 1932-1939* (Edinburgh: Scottish Academic Press, 1979). Ferguson, on the other hand, is interested in the inter-relationship between power and money. His first chapter surveys how warfare led to developments in tax-gathering and in the economy; his last ones study the links in the other direction between the economy and military effectiveness. Provocation and stimulation are also important aims. Ferguson’s book is equivalent to the steel and bark prescribed by Victorian doctors to raise pulses dreadfully lowered through excessive reading of Parliamentary Blue Books. As such, it is a highly salutary draught, the danger of apoplexy for the more susceptible readers left aside.

Daunton’s two volumes on taxation, though, might not seem to us to be immediately germane. That impression could only be strengthened by looking at the indexes: ‘navy’ does not appear, nor do ‘Admiralty’ and ‘naval estimates’ - though

To discover the naval utility of the two volumes we have first to discern quite what it is that Daunton is attempting to do. First, he has to fill an historiographical gap on the history of modern British tax. It is a mark of the seriousness of that gap that Daunton’s nearest competitor is Stephen Dowell’s *A History of Taxation and Taxes in England from the Earliest Times to the Present Day* (4 vols. London: Longmans, 1884), whose limits - apart from the ones obvious from the publication date - are insufficient analysis and unnecessary discursiveness. Second, Daunton has a large but in some ways self-contained cycle of taxation history to deal with, going from the ending of the British fiscal-military state at the beginning of the nineteenth century to the development of the fiscal-welfare one during the twentieth. To put that another way, he has to take the story from where it was left by John Brewer in his well-known *The Sinews of Power: War, Money and the English State, 1688-1783* (London: Unwin Hyman, 1989), and bring it up to date, in the process describing how Britain swung back again to being highly-taxed, but where the prime purpose of that extraction was no longer war but the social welfare of all citizens. The survey has also another purpose. By the 1960s and 1970s, the British tax system - despite over a century of the very best intentions by Whitehall and Westminster - was an appalling mess that choked wealth and enterprise. As Daunton tells us, an adequate account of how that came about had to be both historical and detailed;
here lies the explanation not just for the long period covered, but also the undeniable solidity of the two volumes.

However, where does that leave our inquiry? On reading the volumes it becomes clear we can look to them for crucial context to specific questions about finance and the course of modern British naval history. Many such questions come easily to mind, but we do have to take care to ensure we pose only those that are of the right sort. For instance, one might wonder whether there was the fiscal lee-way for faster re-armament in the 1930s, except that that is the kind of comparatively technical question about expenditure and the exchange rate which it would be better to address to the new Peden volume. It serves our purpose better to look to questions that encompass popular willingness to pay for naval expenditure. One contender is whether the British government could have continued to finance the naval building race with Germany, had the war not come in 1914, except that is perhaps barred because of its dangerous counter-factual taint. So let us turn to another, less-fraught possibility - whether, during the last quarter of the nineteenth century, popular belligerency was increased through the development of a distinction between the income-tax-paying populace and the wider electorate. That is, was lower-class militarism encouraged when there were many voters who did not have to pay directly for the budgetary consequences of their political preferences? The question is particularly relevant because it illustrates how a history of tax must up to a point include an assessment of policy-priorities - that is, include spending as well as revenue. It also lends itself to our making a comparison between the Daunton and the Ferguson, since it concerns a point where the two overlap. Admittedly, the conclusion is the disappointing one that comparison can be but fleeting. Ferguson is largely restricted to presenting a couple of telling quotations on the topic, and then is forced by the great exigencies of his task to move on to other matters. Daunton has space enough and time to give much more attention to the problem, going back to the discussions about re-imposing the income tax in the 1840s, mentioning the implications of the franchise reforms of 1832 and 1867,
dealing *en route* with the views of Sir Robert Peel, W.E.Gladstone, and Joseph Hume, and continuing to the end of the century when he quotes T.H.Farrer, a former Permanent Secretary to the Board of Trade, who stood our question on its head by observing that those pressing for naval re-armament were largely from those above the lower-middle and working classes. Doubtless the subject is not exhausted. Daunton might have given us more than he has; the reform acts of 1884-5 are allowed only passing treatment, and the occasional but very real manifestations of working-class navalism receive no attention. We should also consider what a naval historian would attempt on the topic, which would surely include penetrating deeply into what was happening within the Admiralty. For instance, one would need to deal with the attempt made in the late 1880s by the Parliamentary Secretary to evade Treasury monitoring by encouraging direct Parliamentary supervision of naval expenditure, with the obvious intention of being able to appeal if necessary to an aroused popular opinion. One would have to look also to correspondence between First Lord of the Admiralty and Chancellor of the Exchequer, where examples can be found of almost direct threats to appeal to the public if serious cuts were made in the Naval Estimates. The story might also be taken through to the 1920s when the Admiralty Permanent Secretary was made personally responsible to Parliament for the proper expenditure of naval funds, and also where Parliamentary Select Committees took away some of the ability of the Treasury independently to approve the movement of naval funds from one part of the Estimates to another.

It is easy enough to whet the appetite about possible themes of research, particularly in regard to naval history, where there is (fortunately) so much still to undertake. But one must guard against the natural tendency to ask for far too much from any single project, which in the case of the Daunton could easily take us well beyond any reasonable understanding of the author’s remit. Still keeping to our one example taken from his work, we should look a little more closely at what he does give us, which includes a description of how - at least from the 1890s - decisions about expenditure and
thus taxation were being increasingly affected by pressures for social welfare, including pressures from below. We may not have a blow-by-blow account of the rise of Navy League membership, but we are being shown how government decision-making was becoming more complex; not only were matters of opportunity costs coming even more to the fore, but they were themselves subject to the growing volatility and variety of the politics of the day. That gives us the key to the two volumes. They are what their sub-titles describe them to be - a history of the politics of taxation in Britain, meaning low politics as well as high, and that is where their main value lies. They thus offer crucial context to the place of defence and war in modern history. For illustration, we need only look to the most blatant modern example of the political significance of making the right decision about how to fund expenditure. In a narrow sense, through hyperinflation the German government repaid their internal war debt after 1918 more effectively than did the British; but politically that repayment was disastrous, since it made possible the rise to power of the Nazis.\[2\] Politics, in short, is crucial to understanding not just how far a government is able to raise money for defence, but also leads us to consider the internal stability of a state, without which the existence of a strong defence against external enemies can be a matter of complete irrelevance. Seen in such terms, tax is perceived social justice, tax is political stability, and tax is national integration. Of course, tax is also naval power and international strength - as Daunton shows us was the case in the nineteenth century, when, through the manipulation of tax, the British government managed the difficult task of combining political stability, economic strength, and the maintenance of maritime supremacy. He may not do it with a blare of trumpets, but Daunton presents us with the glorious imperial theme of the Tax Britannica.

Unfortunately, by the Twentieth Century it was becoming increasingly difficult to maintain a balanced mix of growth, stability, and power, but it remains true that the whole mix has to be taken into account when we try to understand the naval element. That is apparent, albeit from a different perspective, once one turns to the to the 1950s
and 1960s, when Britain attempted to retain the trappings of a great power, but without
the necessary fundamental underpinnings. However, with the reformation of the tax
regime in the 1970s and 1980s, and a return to adequate (though scarcely startling) levels
of growth, all of which Daunton also describes, then the realm of the possible expanded.
The British government may now contemplate maintaining a fiscal-welfare state whilst
also possessing a maritime force which - though of course enormously inferior to that of
the U.S.A. - would be potent at least in comparison to those of continental European
states, where growth is presently lower than in the U.K. and social expenditure somewhat
higher. One looks with interest at the proposal to build mid-size aircraft carriers, the
Queen Elizabeth II and King Charles III. Given the expense, though, is the proposal
realistic? Like the nineteenth-century Royal Navy, the new ships and their ’planes would
represent only a marginal drain on a rising G.N.P., yet that does not ensure their eventual
construction, still less their protection against superficially modest economies in
displacement which would ensure major cuts in capability: a few hundred million pounds
is the modern equivalent to a half-penny worth of Stockholm tar. The carriers’ future lies
in the mix. Even if the economy remains healthy, the emergence of a fiscal-nanny state
would both transform the terms of debate and mop up the ‘spare’ funds that otherwise
might add to the navy. We look for answers in the politics of taxation, whose recent
history Professor Daunton has so amply and ably brought to our attention in these two
volumes.
