‘Scotland, Ireland, and the taxing Unions of 1707 and 1801’

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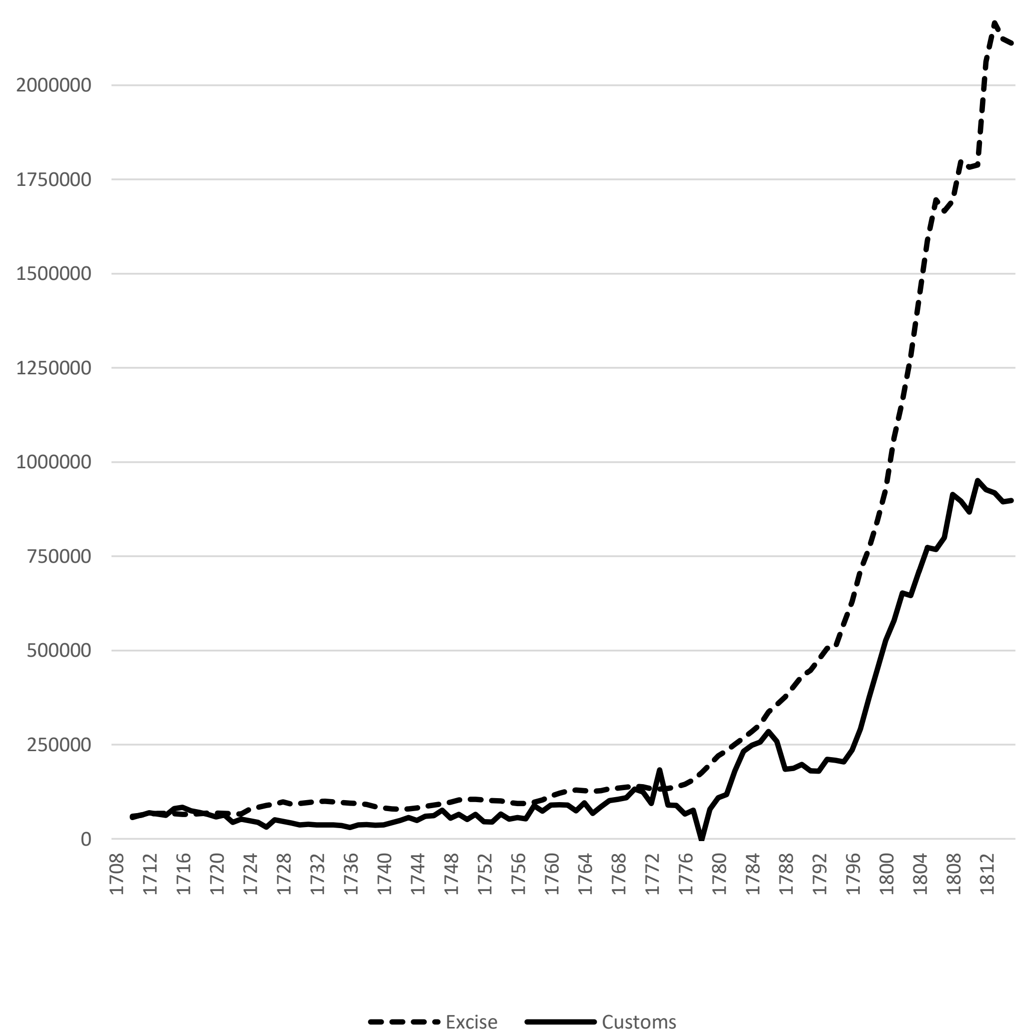
Neither ‘periphery’ nor ‘core’ are fixed categories of analysis. For the purposes of this paper, this is considered in relation to the place of ‘peripheral’ parts of a ‘core’ state: of what the Union of the Edinburgh and Westminster parliaments in 1707 and the Westminster and Dublin parliaments in 1801 meant for the British/UK fiscal regime, a regime usually held to have been highly successful. The focus is on national incidence and discussion of taxation – though some attention needs to be paid to expenditure. (I ignore local taxation, though it became increasingly important in the second half of the nineteenth century – my period closes in 1914.) I am concerned with numbers, of how much was raised here or there, but also with considerations of equality and equity. The key considerations are the extent to which uniform taxes were applied across the enlarged state after 1707 and 1801 in relation to territorial variations in taxable capacity and of how equitable the tax systems were believed to be. To some, only by treating all people alike could true equity be assured – usually by allowing market forces to push and pull people, jobs, and goods about; to others such equality could be inequitable by insufficiently attending to territorial variations in economic well-being and social need.

It is well known that in the period I am considering the British state was, compared to almost all others, very successful in raising money, both through taxation and borrowing. However, the major studies that have established this – by John Brewer, Martin Daunton, P. G. M. Dickson, and Patrick O’Brien – focus heavily, often exclusively, on England, paying scant attention to the experiences of Wales (merged with England in the mid-sixteenth century), Scotland, and Ireland. Indeed, two large claims are often made regarding the Union of 1707 (and by implication to that of 1801): that it created the largest free-trade area in Europe; and that common (English and Welsh) tax rates were applied across the island, indeed in the case of the excise by an allegedly highly-efficient bureaucracy. Relatedly, echoing contemporary opponents of the Unions, historians of both Scotland and Ireland have tended to see, though on the basis of rather restricted research, the post-Union tax regimes as initially very oppressive, because of what was taxed, rates applied, forceful administration, and lower taxable capacity. It is, for example, commonly said that with 1707 taxes in Scotland rose five-fold. A corollary is that in both societies smuggling and illicit production is argued to have been endemic for at least several decades.

There is no doubt that at both Unions the aim was to extend first to Scotland and then to Ireland the tax regime already in place in the larger partner – effectively, as I’ll show, England. (It is important to note that both Unions merged very unequal parts – demographically, territorially, economically, socially, and culturally.) In fact, lower tax rates were applied in Scotland on some key items after 1707, if not always continuously: including on land, malt, salt, spirits, coal, and even income (after it began to be taxed in 1799). This was done partly to buy political support, partly in recognition of Scotland’s lower taxable capacity than England’s. (Wales’ was probably even lower, but it was afforded no separate treatment because it was politically quiescent.) After 1801 Ireland was not only granted lower tax rates on some items, but for many years freed from some taxes altogether, including the income tax until 1853. But, prompted by free trade ideas, from the 1820s central government in London began to look to tax the whole of the UK equally (or ‘indiscriminately’ in the language of the time), by centralising fiscal systems and eradicating territorial differences in taxes. This was effectively completed by the late 1850s.

Bearing this context in mind, how much taxes were raised in the three nations from 1707 to 1800 and in the four nations from 1801 to 1914? Unfortunately, the evidence to answer this question is rather rough and ready for the eighteenth century and for the whole of the nineteenth century England and Wales were not separated in official data. Still, a reasonably good picture can be drawn. The main question for the eighteenth century is how well the new British fiscal regime incorporated Scotland. The answer to that is suggested very well by looking at receipts from the two main sources of public revenues there, customs and excise (Figure 1).

Figure 1. Scottish customs and excise receipts, net of drawbacks, 1708-1815, £ (5 year moving average)



Despite what was thought at the time and by subsequent historians, the tax burden in Scotland did not rise sharply immediately after 1707. Indeed, there were only modest rises before the 1760s: it was increases from the late 1770s, the period of war with America, that are most marked. Such absolute numbers are important but need contextualizing. Without figures for Scotland's GDP in the period this is best done by making comparison with amounts of taxes collected in Britain's other two nations at the time, relating them to population size as a very crude proxy for economic strength. This cannot be done for the total tax take, just selected taxes at selected dates (Table 1).

Table 1. Index of national per capita tax collected in Britain, 1710-c. 1815 (Britain=100).

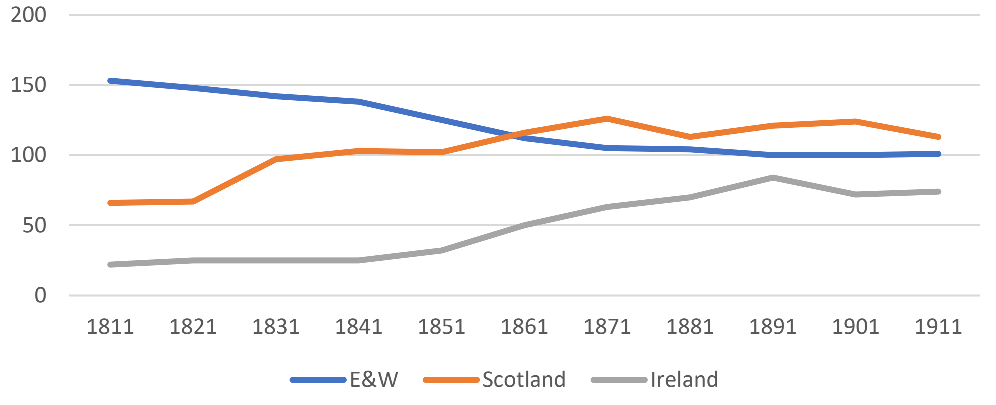
	England	Scotland	Wales
Excise gross			
1741	123	17	32
1783	120	26	26
1796	118	33	22
1815*	117	50	31
Customs gross			
1710	124	10	4
1750	122	19	2
1780	120	26	4
1823*	117	45	4
Land tax			
1744	120	15	49
Income tax			
1812	111	61	49

Note: * figures exist for Britain and Scotland in those years, so those for England and Wales are estimates.

It is clear from these figures that in the first century of the Union state, tax collection was dominated by England. In fact, more detailed figures show the considerable importance of tax collection in London and south-east England: the core was king. A century after the Union, taxes collected in Scotland were, on a per capita basis, around a half of the British average and for most of the period trivial amounts had been remitted from Scotland to London. This was despite Glasgow's heavy involvement in the rapidly growing Atlantic economy and the early stirrings of the industrial revolution in Scotland's central belt. It is also clear that very little taxation was collected in Wales.

How did this change under the enlarged Union state after 1801? Here, as already noted, the figures unfortunately fail to distinguish England from Wales. But there are available for total tax receipts for many more years, allowing change over time to be captured more accurately (Figure 2).

Figure 2. Index of national per capita gross taxes collected in the UK, 1811-1911 (UK=100)



Clearly there were major changes to English dominance of tax collection in the nineteenth century. The gap began to be closed early; Scotland overtook England and Wales as a source of taxes collected around 1860; and despite the Irish famine of the 1840s and its subsequent demographic and economic travails, tax burdens in Ireland rose fairly steadily from the 1850s. Just before the First World War there was relatively little national divergence of taxes collected within the UK.

How are the preceding figures to be explained? In answering that it is important to stress that where taxes were collected, their formal incidence, is far from obviously where they were ultimately borne, their effective incidence. This was something that commentators in both Scotland and Ireland emphasised at different times, arguing that many goods were taxed in England but consumed in Scotland or Ireland. The most extreme case of this was tea, the import of which was a monopoly of the East India Company before 1813 and almost all of which was landed, and taxed, in London. From there it was sent overland and coastwise all over the British Isles. By such means central government relied on the strength of infrastructure and distribution networks to aid tax collection. But the advent of free trade from the 1820s began to erode such consideration. Indeed, some counter flows began to develop. An important switch in tax policy in the nineteenth century was the growing importance of duties on distilled spirits (mainly whisky). The vibrancy of the whisky industries in Scotland and Ireland and the developing trade to consumers in England meant that the effective incidence of taxation was not quite as Figure 2 shows. From the late nineteenth century officials began to correct for this, raising England’s share of total taxes and reducing those of Scotland and Ireland.

Clearly tax policy was a crucial aspect of the national distribution of tax burdens. In the eighteenth century politicians and officials in London sought often unsuccessfully for ways of raising more taxes in Scotland. In 1713 the malt tax was extended there, causing a furore – on the grounds that Scottish barley was more important to its economy and consumers than in England (a ‘staple’) and of inferior quality. The tax was consequently not collected until 1725, but at half the rate of England, and with some of the revenue being used to aid Scottish economic development. Later in the century greater attempts were made to tax whisky in Scotland. But this led quickly to the realisation that it was a mainstay of the generally poorer Highland economy. Hence lower duties were imposed there, leading to patchy results in terms of revenue, friction between the Highlands and Lowlands and between Scotland and England, and internal smuggling. By such means, policy makers were made aware of the considerable challenges of taxing poorer parts of the Union state.

Yet as I have already noted, a key policy in the nineteenth century was to put more weight on taxing distilled spirits. Fundamental to this was removing the duty on beer from 1830 to 1880. That was done because policy makers believed beer was mainly consumed by the poorer classes. This 'remission' aimed, in short, at reducing a regressive element of the tax system – in the context of the income tax having been lifted in 1816 (it was reintroduced in 1842, permanently as it transpired). Moreover, beer was seen as more wholesome than spirits, and so worthy of untaxing in a way in which, to temperance-minded Victorians, spirits were not. However, per capita beer consumption was significantly higher in England than in other parts of the UK; and spirits were much more heavily consumed in Scotland and Ireland, indeed becoming national cultural markers there. This shift in the taxation of alcohol had the effect, therefore, of increasing the burdens on Scotland and Ireland, and lowering them on England.

Such changes in tax policy in the nineteenth century took place alongside the creation of a single tax administration run out of London. Scotland had at Edinburgh its own customs and excise boards and court of exchequer after 1707. Ireland similarly retained its own fiscal administration after 1801 in Dublin. But centralisation began in 1817, when Ireland's debt was judged, under terms of the Union, to be unsustainable – essentially because its tax base could not meet the contributions it was expected to make to the imperial exchequer. This was taken further and extended to Scotland in the following decade. Some remnants of separate treatment remained. The reintroduction of the income tax in Britain in 1842 did not extend to Ireland until 1853 (by Gladstone). And spirit duties in Ireland remained at a lower level until 1858. But from that date there was a large measure of fiscal equality across the UK.

In the 1850s a short-lived organisation called the National Association for the Vindication of Scottish Rights criticised elements of the UK fiscal system, but interestingly more on the expenditure than the income side of public accounts. Scotland, it was complained, received far too little public expenditure – on the military, palaces, museums, universities, and more. Ireland, it was argued, was unduly favoured in these regards. But opinion in Ireland began to complain, repeatedly and in depth, about its fiscal treatment. In particular, attention focussed on its taxable capacity. Key framers of the Union had in 1799 and 1800 sought to address this, concluding that Ireland's taxable capacity was 2/17ths of the UK whole. Irish opinion at the time argued, almost certainly correctly, that this was unrealistic. But subsequent rapid industrialisation in Britain but not Ireland, alongside famine and emigration in Ireland, made that figure even more doubtful. After 1860 successive authors in Ireland stressed that the imperial fiscal system was too onerous for Ireland reasonably to bear: that equality of treatment was inequitable. (Similar arguments had been made in eighteenth-century Scotland.) This encouraged arguments for a more federal UK, for 'Home Rule', as well as independence. And those in favour of Home Rule in Britain, England especially, began to see it as a way of stopping what they believed was an unwarranted drain on the imperial exchequer.

In their thoughtful book *The size of nations* (2003) Alesina and Spolaore explore the tension between the economies and diseconomies of scale linked to increasing the size of a nation. Exploring the fiscal dimensions of the making of the UK contributes to such discussions. Clearly the two Unions increased the resources available for the core to draw on. But with both Scotland and Ireland it encountered different resources and cultures that made incorporating the new territories fiscally challenging, encouraging mutual distrust between the 'core' and the 'peripheries' (as well as of Ireland by Scotland (but not vice versa)). Central government in London discovered that with greater size came greater distance, physical and often cultural. For many decades first Scotland and then Ireland contributed little money to central government and were treated differently by it in fiscal terms. Only from the 1860s was there more or less complete unity and uniformity of taxation, territorially considered. From that date, though not very explicitly, central government held to the view that taxation had to be applied equally, with public expenditure being used to mitigate some of the inequities produced. This included, for example, subsidies to the fisheries in and infrastructure of the Scottish Highlands and Islands and considerable investment in land reform in Ireland. That is, territorially speaking central government was more prepared to consider interest group politics on the expenditure than income side of public accounts, at least for a while.