

This arrangement which came to be known as the Old Sinking Fund dealt with the existing debt. In 1792 Pitt set up the New Sinking Fund to provide for the systematic redemption of any future debt. Under this plan, taxes equal to one percent of the capital of each new loan contracted by the government were paid into the sinking fund, which would redeem these loans within a period of forty-five years from their creation.⁴ This seemed the finishing touch to Pitt's entire financial policy, guaranteeing the eventual elimination of any and all debt.⁵

When war came in 1793, in spite of Pitt's efforts to avoid it, he was determined to preserve this sinking fund scheme. He spelled that out in the first budget speech of the war:

What in the first place, is to be looked to, is the vigorous and effectual prosecution of this war, in which we have everything at stake But there is another object to be attended to. Whatever degree of exertion may be made in the present contest, which involves the dearest and most sacred objects, still we must not allow ourselves to neglect what likewise involves in it the permanent interests of ourselves and our posterity. I not only mean still to employ the annual million for the reduction of the national debt, but likewise the sum of £ 200,000 which was last year understood to be set apart for that purpose, so as to provide, even during the continuance of war, for the lessening of the debt.⁶

But while the sinking fund paid off old debt, Pitt busily accumulated new liabilities. He kept taxes low by borrowing to cover the expense of war. The policy was traditional: pay for the war through loans, and increase taxation only enough to pay the interest on the added debt. Of course, this policy meant that taxation increased every year. For the first loan of the war, the taxes necessary to pay the interest amounted to only £ 250,000, but for the larger loan of the second year, £650,000 were needed. The effect was cumulative: the added burden of taxation in the second year of war totalled £ 900,000. The third year piled £ 1,100,000 on top of that for a total of over £ 2 million by 1795.⁷ Moreover, since borrowing for the war grew faster than the sinking fund could pay it off, the national debt rose instead of declining.

The financial strain began to tell by the fourth year of the war. The

⁴ 32 George III, c. 55. Ehrman, *The Younger Pitt*, p. 268 and n. 3 and 5. Devon RO, anon., memo. on sinking fund, n.d. [probably 1802], Sidmouth Papers, 152M/C1803/OT25.

⁵ J.E.D. Binney, *British Public Finance and Administration 1774-1792* (New York, 1958), pp. 276-78.

⁶ William Pitt, *The War Speeches of William Pitt the Younger* (2d ed.; Oxford, 1916), pp. 78-80.

⁷ J.J. Grellier, *The History of the National Debt* (London, 1810), pp. 371, 377, 382.

deluge of paper depressed the value of government securities. The government's principal loan contractor, Walter Boyd, lost so much as a result of declining prices for government loan stock that he faced bankruptcy.⁸ Shortage of credit and of specie caused the British government to fall behind on the installments of its loan to Austria.⁹ In February 1797 the government dealt with a run on the banks by ordering the Bank of England to suspend the convertibility of its notes into cash, effectively taking Britain off the gold standard, a measure damaging to the country's confidence.¹⁰ The financial crisis of 1797 probably contributed to the refusal of His Majesty's Government to meet the demands of the sailors in the Royal Navy for better pay. Mutiny followed at Spithead and the Nore.¹¹ The debt exceeded £ 350 million, and interest rates reached their highest point ever in June 1797.¹²

What made Pitt cling through four years of war to the increasingly costly policy of 1793? The answer is that he was never committed to all-out war. Clive Emsley recently argued that the French Wars between 1793 and 1815 were closer to twentieth-century total war than the usual eighteenth-century conflicts, which were limited in their objectives, were not ideological, and were not mass movements. This may be so, if one views the whole twenty-two years together. And, indeed, these wars may have affected British society as profoundly as industrialization, as Emsley maintained.¹³ But Pitt could not know all that in 1793, or even 1797; he could not know that the war would last over twenty years, that it would consume the energies of a generation, that it would outlast the lives of both himself and Fox as well as the sanity of the king. And he lacked the vision to foresee, as Henry James did the day after war began in 1914, "the plunge of civilization into this abyss of blood and darkness."¹⁴

Pitt had no such apocalyptic turn of mind. Instead, he based his financial policy, and, indeed, his entire conduct of the war on the assumption that the conflict would be over relatively soon.¹⁵ He attempted to convince the House of Commons, as perhaps he had convinced himself, that France must soon collapse through her own financial mismanagement.¹⁶ As late as July 1797, one of Pitt's informants assured him that the

⁸ Karl Ferdinand Helleiner, *The Imperial Loans; a Study in Financial and Diplomatic History* (London, 1965), p. 76.

⁹ John M. Sherwig, *Guineas and Gunpowder; British Foreign Aid in the Wars with France, 1793-1815* (Cambridge, 1969), p. 89.

¹⁰ PRO, Lord Auckland to Pitt, Apr. 20, 1797, Chatham Papers, 30/8/110, f. 381.

¹¹ John Holland Rose, *A Short Life of William Pitt*, (hereafter *Short Life*), (London, 1925), p. 138.

¹² Brian R. Mitchell and Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge, 1962), p. 402. Rose, *Short Life*, pp. 138-39.

¹³ Clive Emsley, *British Society and the French Wars 1793-1815* (Totowa, N.J., 1979), pp. 2, 4, and *passim*.

¹⁴ Henry James, Aug. 5, 1914, quoted in Paul Fussell, *The Great War and Modern Memory* (New York, 1977), p. 8.

¹⁵ Rose, *William Pitt and National Revival*, p. 195.

¹⁶ E.g., *Cobbett* 31:1295 (Feb. 5, 1795).

French Directory must soon make peace out of financial desperation.¹⁷

This confidence was misplaced, for it was Pitt himself who tried to make peace in 1797 because of a deteriorating financial position.¹⁸ By comparison, the French appeared to have discovered the secret of eternal war. Bonaparte could promise his unpaid, ill-clothed army limitless plunder: "I will lead you into the most fertile plains in the world," he later claimed to have told his troops before marching into Italy. "Rich provinces and great cities will be in your power. There you will find honour, glory and wealth."¹⁹ Bonaparte's financial policy was contained in his dictum that "War must support war."²⁰

The conservative nature of their cause inhibited the anti-French, counter-revolutionary forces in Europe from employing the ruthless means by which the French Republic sustained itself. Not only were the British and the continental monarchies allied with them generally on the defensive, which considerably decreased their opportunities for plunder and exacting tribute; they also could not suspend in their own interest the rules of civilized behavior for which they professed to be fighting.²¹ Forced loans, capital levies, confiscation, and reckless inflation did not form part of the acceptable repertoire of the traditional minister of finance.

From the beginning, Pitt had stressed "the value of the present order of things."²² To abandon that "order of things" would have sacrificed the end to the means. In financial terms, a truly radical commitment to all-out war would have meant, first, the suspension of the sinking fund; second, much larger loans; and, third, much higher taxes. Such measures would have made possible a vast expansion of the war effort and might have allowed England and her allies to go over to the strategic offensive, but only at the cost of immensely increasing the present and future burden on the English people.

Pitt never really considered it. There were two immediate and, in Pitt's view, very good reasons. One was his view of the nature of the war and his hope for a negotiated peace. Another was his unwillingness to forsake the goal of reducing the national debt. Since there was no budget surplus in wartime, the £1.2 million for the sinking fund had to be borrowed, but doing so did preserve the commitment to abolishing the debt within a finite term of years.²³ It reassured the public, as it reassured Pitt, to know

¹⁷ PRO, Sir Francis d'Ivernois to [Pitt], July 2, 6, 1797, Chatham Papers, 30/8/147, ff. 289, 291.

¹⁸ Pitt to George III, April 9, 1797. Philip Henry Stanhope, fifth Earl Stanhope, *Life of the Right Honourable William Pitt* (London, 1861-62), III, iv-v (appendix).

¹⁹ Napoleon Bonaparte, quoted in Felix Markham, *Napoleon* (New York, 1966), p. 41.

²⁰ Bonaparte, quoted in Rose, *Short Life*, p. 134.

²¹ A point made by Helleiner, *Imperial Loans*, p. 178.

²² Pitt, *War Speeches*, p. 91.

²³ A point made by Binney, *British Public Finance*, p. 116, and P.K. O'Brien, "Government Revenue, 1793-1815: a Study of Fiscal and Financial Policy in the Wars Against France" (D. Phil. thesis, University of Oxford, 1967), p. 233.