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SCOTLAND AND THE TAXING UNION, 1707-1815¹

Abstract

This article sketches the amounts of taxes collected in Scotland for central government between the Union and the end of the Napoleonic Wars, looking at the impact of the Union, change over time, and comparisons with how much taxes were collected in the rest of Britain. Those findings are then generally explained with reference to tax policy, taxable capacity, and the tax gap. Finally, how these findings affect our understanding of the Union state are considered. Contrary to many accounts, the Union did not immediately lead to much larger amounts of taxes being collected, nor to much money being sent to London. Rather it was from the 1780s that substantial change on both accounts took place, though even in 1815 the per capita tax take in Scotland was under a half that in England and Wales. Trying to resolve the tension between the principles of equality and equity enshrined in the Union treaty, tax policy was more sympathetic to Scotland's circumstances than is often allowed. Very speculatively, Scotland's taxable capacity appears to have been significantly less than England's, even as late as 1815. And while the revenue services were necessarily more costly in Scotland, probably greater relative poverty there also lowered tax compliance compared to England.

Across the ages, taxation has been an important link between peoples and central governments. To taxpayers, the value of the purposes to which exactions are put has to be weighed against the loss of income involved, of, crudely, whether their government is worth it. To governments, taxation funds the provision of security and public goods, though it can also be mortgaged to fund borrowing and pay for plunder as ways of escaping complete reliance on taxation for money. How taxes are collected are vital to this relationship – doing so by brute force is costly and lacks legitimacy. A sustainable tax system usually requires

¹ I am grateful comments on this article by Aaron Graham, Bob Harris, Hamish Scott, the journal's referees, and audiences at several seminars. Completion of the article was significantly accelerated by generous funding from the Leverhulme Trust.

that most within society judge it to be reasonably equitable, both in terms of costs and consequences. This is not easy to achieve, as the history of tax revolts attests.² Moreover, a larger and more varied society poses particular challenges to creating sufficient consensus: the capacity to pay can significantly vary from one locale to another; security and public goods are liable to be better provided in some places than others; and metropolitan and provincial expectations as to the role of central government frequently diverge. Larger states can aim to reap administrative scale economies and to share risks regionally, but greater size increases the distance, physical and cultural, between capital and provinces; aligning expectations across enlarged jurisdictions is often hard to achieve.³ This has obvious enough implications for the making of composite states such as Britain and the Dutch Republic – both of which had a dominant partner.⁴ There was nothing inevitable about success here. In pre-revolutionary France, for example, tensions were generated by regional inequality in the application of some taxes, while the disastrous state of its public finances was a key cause of the revolution in 1789.⁵

With such considerations in mind, harmonizing a single tax regime as part of the Union of 1707 was bound to be difficult. While the guiding principle was that English and Welsh customs and excise duties were, like their coins, weights, and measures, to be extended to Scotland, some of the challenges this posed led to temporary exemptions regarding salt, stamped paper, windows, coal, and malt, while specific privileges were also confirmed

² David F. Burg, *A World History of Tax Rebellions: an Encyclopedia of Tax Rebels, Revolts, and Riots from Antiquity to the Present* (New York and London, 2004).

³ Alberto Alesina and Enrico Spolaore, *The Size of Nations* (Cambridge, MA, 2003), 3-4; Stein Rokkan and Derek K. Urwin, *Economy, Territory, Identity: Politics of Western European Peripheries* (London, 1983), 2-3.

⁴ Wantje Fritschy, *Public Finance of the Dutch Republic in Comparative Perspective: the Viability of an Early Modern Federal State (1570s-1795)* (Leiden, 2017). There is a large literature on composite states, much of it referenced in D. W. Hayton, James Kelly, and John Bergin (eds), *The Eighteenth-Century Composite State: Representative Institutions in Ireland and Europe, 1689-1800* (Houndmills, 2010).

⁵ J. F. Bosher, *The Single Duty Project: a Study of the Movement for a French Customs Union in the Eighteenth Century* (London, 1964).

(articles 6-8, 10-13). Implicitly, full fiscal convergence was expected to follow the end of those exemptions, though future taxes were to be raised by paying 'due regard to the circumstances and abilities of every part of the United Kingdom' (article 14). That was not the case with the land tax where Scotland was pegged at a very low ratio relative to that in England and Wales (article 9).⁶ Finally, Scotland was to be compensated via the Equivalent for among other things taxes collected in Scotland to repay the pre-Union national debts of England and Wales, both as a lump sum, and as payments consequent on expected increases in tax receipts in Scotland through heightened economic activity, the 'rising Equivalent' (article 15).

Two essential features of these arrangements were that, unlike Ireland in 1801, Scotland was neither required to provide a particular share of the Union state's revenue nor to maintain a separate exchequer (though it did have its own customs and excise commissioners and a new Court of Exchequer). The uncertainty this produced about how much revenue Scotland might (or indeed did) send to London was compounded by the tension between two fundamental principles in the treaty. On the one hand, as many historians have stressed, there was to be a common market and common taxes across the whole island – the principle of equality.⁷ On the other, this was to be mitigated by respecting territorial variety and paying compensation – the principle of equity. But aside from the Equivalent, the rising element of which proved within a decade to be unworkable, the Treaty made no provision as to how the balance was to be struck between the two principles: that was to be decided by brute politics within an unequal Union. Historians have stressed here the subjugation of Scotland to English practices. To Whatley the Union

⁶ In practice, this meant that the maximum land tax collected in Scotland would be £48,000 per annum, whereas the figure for England and Wales would be £1.9m, i.e. Scotland contributed 2 per cent of the British total, against its 35 per cent share of Britain's land mass and about 17 per cent of its population in 1707. Allan I. Macinnes overstates Scotland's post-Union land tax tenfold: *Union and Empire: the Making of the United Kingdom in 1707* (Cambridge, 2007), 319.

⁷ See, for example, Linda Colley, *Britons: forging the nation, 1707-1837* (New Haven, CT, 1992), 39.

increased rates of duties in Scotland five-fold.⁸ London's ignorance of Scottish circumstances has been emphasized by many, producing a tax regime that privileged English interests, in the context of Britain becoming very heavily taxed to pay for frequent and increasingly expensive wars.⁹ That is particularly evidenced by the extension of the malt tax to Scotland in 1713, contravening the letter of the Union. But it is also often suggested that resistance to taxation in Scotland in the eighteenth century – the malt tax riots of 1725, the Porteous riot of 1736, smuggling, and illicit spirit distilling – further shows that the post-Union tax regime was ill-suited to or positively rejected by many in Scotland. This has been described as the orthodox view.¹⁰

Quite what the effect of such factors was on the actual tax take for central government in Scotland in this period is very unclear.¹¹ While Mackillop rightly argues that it

⁸ Christopher A. Whatley, 'How tame were the Scottish Lowlanders during the eighteenth century', in T. M. Devine (ed.), *Conflict and Stability in Scottish Society, 1700-1850* (Edinburgh, 1990), 6. Rates of duties is not the same as duties collected, a distinction often subsequently lost. See, for example, Amy Watson, 'Patriotism and partisanship in post-Union Scotland, 1724-37', *Scottish Historical Review* 97 (2018) 60 and T. M. Devine, *Independence or Union: Scotland's Past and Scotland's Present* (London, 2017), 31.

⁹ K. Kivanç Karaman and Şevket Pamuk, 'Ottoman state finances in European perspective, 1500-1914', *Journal of Economic History* 70 (2010) 610-11. France was the most heavily taxed nation in absolute terms and the Dutch Republic in per capita terms, with Britain second in both categories.

¹⁰ Andrew Mackillop, 'Subsidy state or drawback province? Eighteenth-century Scotland and the British fiscal-military complex', in Aaron Graham and Patrick Walsh (eds), *The British Fiscal-Military States, 1660-c. 1783* (Abingdon, 2016), 182.

¹¹ Though there have been studies on the popular reaction to the new tax regime, major administrative changes, and some taxes: Christopher A. Whatley, 'Salt, coal and the Union of 1707: a revision article', *Scottish Historical Review* 66 (1987) 26-45; idem, 'How tame were the Scottish Lowlanders'; P. W. J. Riley, *The English Ministers and Scotland, 1707-1727* (London, 1964); W. R. Ward, 'The land tax in Scotland, 1707-98', *Bulletin of the John Rylands Library* 37 (1954-5) 288-303; John Finlay, "'Tax the attornies!'" Stamp duties and the Scottish

is wrong to be too pre-occupied with the monetary nature of the post-Union state, it is striking that, despite abundant evidence surviving, historians have not set out how much taxation for central government was collected in Scotland in this period (or indeed for most of the nineteenth century).¹² In fact, studies of the British fiscal state in this period have been little concerned with questions of territoriality, tending to assume or argue for homogeneity based upon practice in England.¹³ This article addresses that lacuna and

legal profession in the eighteenth century', *Journal of Scottish Historical Studies* 34 (2014) 141-66.

¹² Gross excise figures were presented by Henry Hamilton, *An Economic History of Scotland in the Eighteenth Century* (Oxford, 1963), 401-3. There is some relevant discussion in: R. H. Campbell, 'The Anglo-Scottish Union of 1707. II. The economic consequences', *Economic History Review* 16 (1964) 468-77; A. L. Murray, 'Administration and the law', in T. I. Rae (ed.), *The Union of 1707: its Impact on Scotland* (Glasgow 1974), 30-57; Ian Donnachie, *A History of the Brewing Industry in Scotland* (Edinburgh, 1979); Philipp Robinson Rössner, *Scottish Trade in the Wake of the Union (1700-1760): the Rise of a Warehouse Economy* (Stuttgart, 2008). But most studies of the Union state, or of the impact of the Union, note taxation only briefly in passing. See, for example: Iain McLean and Alistair McMillan, *State of the Union: Unionism and its Alternatives in the United Kingdom since 1707* (Oxford, 2005), 46-50; Alvin Jackson, *The Two Unions: Ireland, Scotland, and the Survival of the United Kingdom, 1707-2007* (Oxford, 2012), 122-3; J. H. Elliott, *Scots and Catalans: Union and Disunion* (New Haven, CT, 2018), 121.

¹³ There is an extensive literature, but the two foundational accounts are: Patrick K. O'Brien, 'The political economy of British taxation, 1660-1815', *Economic History Review* 41 (1988) 1-32 – he briefly notes the Scottish dimension at 3; John Brewer, *The Sinews of Power: War, Money and the English State, 1688-1783* (London, 1989), notes Scottish opposition to taxation, but does not discuss collection there (22-3, 132-3). For a preliminary discussion of the territoriality of taxation in Britain see Julian Hoppit, *Britain's Political Economies: Parliament and Economic Life, 1660-1800* (Cambridge, 2017), ch. 9 and Patrick Walsh, 'The eighteenth-century fiscal-military state: a four nations perspective', in Naomi Lloyd-Jones and Margaret M. Scull (eds), *Four Nations Approaches to Modern 'British' History* (London, 2018), 85-109.

questions those views, setting out quantitatively for the first time what the burden of central government taxation was in Scotland in the period, how much was sent to London, and how the Scottish experience compared to those of England and Wales. That first main part of the article is fairly descriptive; but attention then turns to considering how those patterns can be explained in general terms and how a fuller understanding of central government taxation of Scotland reflects on the nature of the Union state.

From 1804 systematic annual public accounts were published for England (including Wales), Scotland, and Ireland.¹⁴ Before then, the total central government tax take in Scotland is available for only 1708-14, 1773, and 1800. From 1707 there are, though, complete runs of annual accounts for customs and excise, much the largest sources of revenue until the introduction of the income tax in 1799. For other taxes, especially of land, houses, windows, and luxuries, patchy evidence before 1804 survives, but still enough to allow some key points to be made. While almost all of this evidence is official in origin, and mostly found in the national archives in Edinburgh and Kew, it needs careful handling, especially because of the difference between gross and net receipts, how arrears were handled, and changes in accounting periods. Even then, occasionally somewhat different figures have been found for seemingly the same tax. Nonetheless, general trends can be established with some confidence (given in pounds sterling throughout).

It is useful to start by considering immediate impact of the Union on taxation. In the discussions leading to it significant anxieties had been expressed that imposing English and Welsh taxes on Scotland would be very burdensome.¹⁵ Scotland's taxes were said to be one-quarter those in England, 'yet we have complain'd upon them, as heavy', while Stirling burgh petitioned the Scottish parliament arguing that impending heavy taxes were too heavy a price to pay for free trade with English and Welsh markets, domestic and imperial.¹⁶

¹⁴ These are all called 'Finance Accounts' in Parliamentary Papers [PP]: 1805, V.1; 1806, IX.1; 1806-7, V.1; 1808, VIII.1; 1809, VIII.1; 1810, XII.1; 1810-11, IX.1; 1812, VIII.1; 1812-13, XI.1; 1813-14, X.1; 1814-15, VIII.1; 1816, XI.1.

¹⁵ Karin Bowie, *Scottish Public Opinion and the Anglo-Scottish Union, 1699-1707* (Woodbridge, 2007), chs. 6 and 7.

¹⁶ [William Black], *A Short View of our Present Trade and Taxes, Compared with what these Taxes may Amount to after the Union* [Edinburgh?, 1706?], 2; Edinburgh, National Records

By one satire, the Union brought a new type of excise officer into Scotland, a metrological ‘monster’ driven by the bottom line, not the bible.¹⁷ In due course Jacobites bemoaned the drain of money from Scotland to England, all ‘rigorously exacted by a Parcel of Strangers sent down upon us from *England*’.¹⁸

Such views are mythic, for revenue collectors remained overwhelmingly Scottish, while Whatley concluded that popular opposition significantly retarded tax collection in Scotland for two or three decades after the Union, though he was unable to put a figure on that.¹⁹ This is attempted for the immediate post-Union period in Table 1.

Table 1. Annual average Scottish public revenues, 1686-1714.

1686-8	168,000
1692-1700	147,000
1703-5	160,000
1708-14	156,760

Note: the figure for 1703-5 is for the ‘Average as if levied in England’, i.e. without accounting for the costs of farming some revenues; final receipts were £109,194.

Source: 1686-1700, NRS, E26/12/3 and E26/14 – I am grateful to Aaron Graham for a transcription of this source; 1703-5, PP, 1868-9, XXXV, Public Income and Expenditure, Part 2, 357; 1708-14, London, The National Archives [TNA], T64/236, ff. 52-71.

of Scotland [NRS], PA7/28/48. Similarly, John Clerk, *History of the Union of Scotland and England by Sir John Clerk of Penicuik*, ed. Douglas Duncan (Edinburgh, 1993), 139 and 150.

¹⁷ Anon., *A Scots Excise-Man Described* [Edinburgh, 1707].

¹⁸ On the drain, George Lockhart, *The Lockhart Papers: Containing Memoirs and Correspondence upon the Affairs of Scotland from 1702 to 1715*, 2 vols (London, 1817), i, 421; on the strangers, [Robert Freebairn], *The Miserable State of Scotland, since the Union, Briefly Represented* (Perth, 1716), 1.

¹⁹ J. F. Mitchell, ‘Englishmen in the Scottish excise department, 1707-1832’, *Scottish Genealogist* 13 (1966) 16-28. Over that period 30 per cent of the Scottish Excise Board’s commissioners were English, but only 3 per cent of collectors. Christopher A. Whatley, *The Scots and the Union: Then and Now* (Edinburgh, 2014), 364.

An important contextual point for this article arising from Table 1 is that in the generation before the Union central government revenues in Scotland were relatively limited. As Goodare has shown, there were strong pressures in Restoration Scotland for cheaper government, while taxes did not rise after 1688 as they did in England and Wales, not least because of the economic and demographic tribulations of the 1690s: in 1659 the ratio of taxes raised between Scotland and England and Wales had been nearly 1:11, but by 1707 was 1:36.²⁰ This left the Scottish state very differently resourced compared with many others in Europe – ‘fragile’ in Stewart’s view.²¹

Tax receipts in Scotland must have been hit by the very troubled years of the 1690s, both immediately and in its wake. Yet the tax take in Scotland did not rise significantly immediately after the Union. Though it is possible that more tax was collected from 1708-14 than was reported – because of corruption or Jacobite infiltration of the revenue services – this is unlikely to have been large. Moreover, the Scottish figures for 1703-5 are net of various repayments. Doing the same for the post-Union figures reduces the net take to £121,000, nearly a quarter below the figures for 1703-5. Whichever way one looks at it, in terms of the actual tax take, it is certain that there was no five-fold rise because of the Union; indeed there was no rise at all and may even have been a fall. That is not to say that after 1707 the tax regime was not in some respects novel, disruptive, unwelcome, and challenging. Farming the revenue ended, to be replaced by state appointed revenue officers; duties on trade with England were abolished; the collection of duties on trade with Asia moved to London; and complex new regulations were introduced.

A key aspect of the new tax regime was that because of repayments some taxes were only notionally collected. Notably, customs drawbacks, refunds of duties on re-exported or exported goods to encourage the colonial and carrying trades, were very substantial for much of the period. It is well known that these were crucial to the growth of Glasgow’s prominence in the European tobacco trade, though that was not the only commodity on

²⁰ Julian Goodare, *State and Society in Early Modern Scotland* (Oxford, 1999), 319-21.

²¹ Laura A. M. Stewart, ‘The “rise” of the state?’ in T. M. Devine and Jenny Wormald (eds), *The Oxford Handbook of Modern Scottish History* (Oxford, 2012), 233.

which they were available.²² But in the excise too there were drawbacks and other repayments which mean that like the customs gross amounts collected exaggerates the tax burden. Over the whole period, 60 per cent of gross customs and 9 per cent of gross excise receipts were repaid: that is, of the £101m notionally raised from customs and excise over the period, nearly £37m was either never really collected or was repaid and should not be considered as part of the tax take, though certainly they were an important feature of Scotland's place within the British fiscal state.²³

After 1714 full figures of total taxes collected in Scotland are available for 1773, 1800, and annually from 1804 (Table 2).

Table 2. Gross taxes collected in Scotland, 1703-1800

	1708-14*	1773	1800	1815
Gross taxes	156,760	1,219,484	2,111,157	5,260,076
Repayments	35,542	940,136	144,662	335,267
Net	121,218	279,348	1,966,495	4,924,809
Population (millions)	1.1	1.4	1.6	1.9
Per capita net taxes	0.11	0.20	1.23	2.59

Note: 1708-14, annual averages.

Sources: TNA, T64/236, ff. 52-71; [William Mure], *Selections from the Family Papers Preserved at Caldwell*, 3 vols (Glasgow, 1854), iii, 227; TNA, CUST17/21; PP, 1816, XI.I, Finance Accounts, 18, 22-3, 28-30, 32; NRS, E231/9/3, E501/94, 111, E554/3-4; B. R. Mitchell, *British Historical Statistics* (Cambridge, 1988), 9; R. A. Houston, *The Population History of Britain and Ireland, 1500-1750* (Basingstoke, 1992), 29-30.

The weakest links in Table 2 are the population estimates for 1708-14 and 1773. But price rises, particularly significant in the 1790s and 1800s, also need to be taken into account. Probably they roughly doubled over the period, so that in real per capita terms amounts of

²² T. M. Devine, *The Tobacco Lords: a Study of the Tobacco Merchants of Glasgow and their Trading Activities, c. 1740-90* (Edinburgh, 1975); Rössner, *Scottish Trade*.

²³ NRS, E501/1-111; E554/3-4; Mackillop 'Subsidy state or drawback province?'

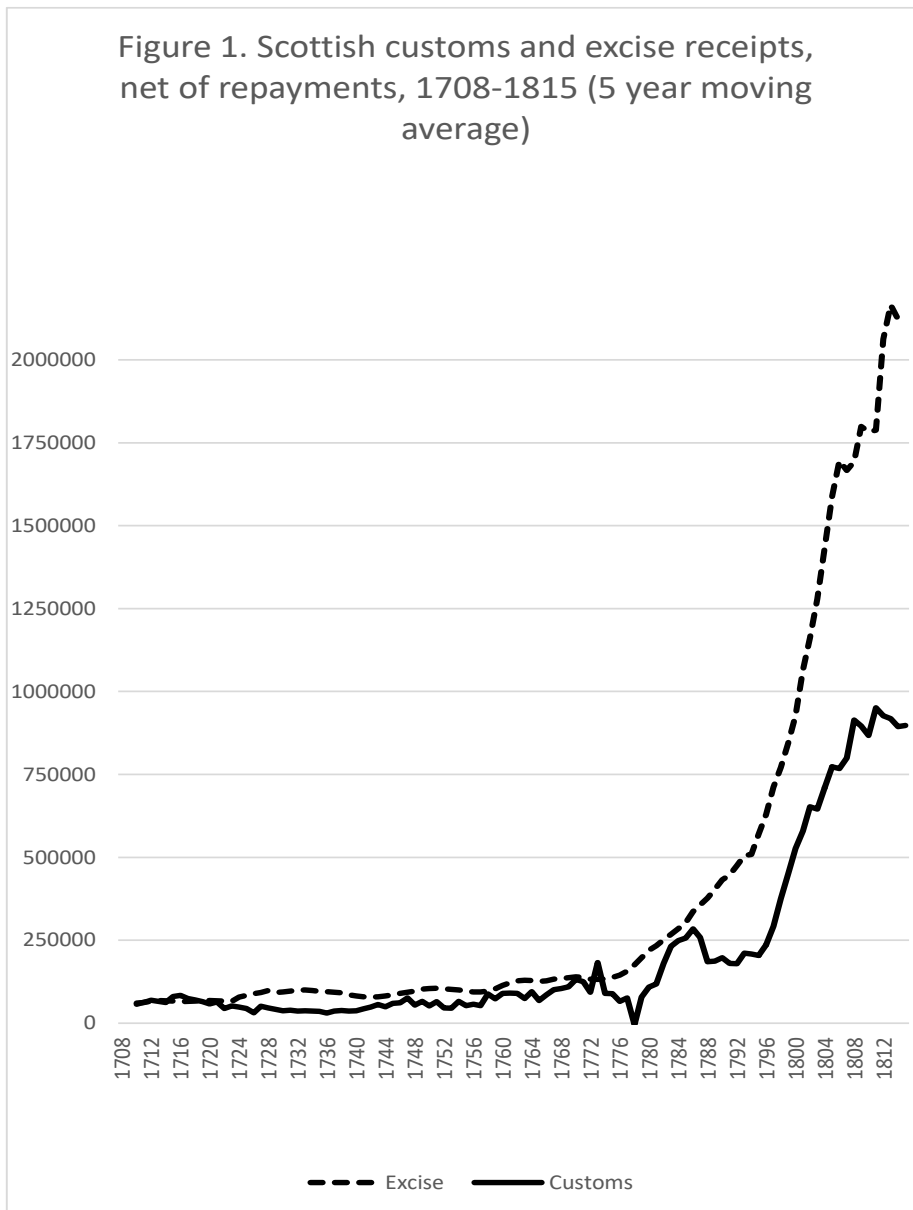
taxation rose nearly eleven-fold over the whole period, or at an annual compound rate of 2.4 per cent.²⁴ As Table 2 suggests, much of that large increase came in the late eighteenth century. That can be refined by looking at the growth of customs and excise, which provided the overwhelming majority of tax revenues until the introduction of the income tax in 1799. Fortunately, annual data for these revenues are available through the period and are presented net of repayments in Table 3 and Figure 1.

Table 3. Excise and customs receipts in Scotland, net of repayments, 1708-1817, annual averages.

	Excise	Customs	<u>% decennial change</u>		Customs as % excise
			Excise	Customs	
1708-17	59,343	70,252			118
1718-27	71,594	51,118	21	-27	71
1728-37	92,348	36,337	29	-29	39
1738-47	81,244	48,496	-12	33	60
1748-57	99,380	52,004	22	7	52
1758-67	116,883	78,654	18	51	67
1768-77	135,845	110,414	16	40	81
1778-87	253,120	182,899	86	66	72
1788-97	479,881	200,676	90	10	42
1798-1807	1,234,714	649,788	157	224	53
1808-17	1,926,734	882,290	56	36	46

²⁴ There is no general price series for Scotland covering this period. Prices of oatmeal increased nearly three-fold between 1701-10 and 1806-15. This was likely similar to other cereals. But with population growth, inelastic demand for cereals, and rising industrial and commercial productivity, the general rise of prices was likely less. In England prices as a whole doubled. M. W. Flinn (ed.), *Scottish Population History from the 17th century to the 1930s* (Cambridge, 1977), 693, 697; A. J. S. Gibson and T. C. Smout, *Prices, Food and Wages in Scotland, 1550-1780* (Cambridge, 1995); Stephen Broadberry et al, *British Economic Growth, 1270-1870* (Cambridge, 2015), 189.

Source: NRS, E231/9/3, E501/27-111, E554/3-4.



Over the whole period 1708-1815 excise receipts were nearly double those for the customs (£41.6m against £22.1m – net of repayments). As Table 3 makes clear, this imbalance was not the case initially, but customs receipts halved in the early to mid-eighteenth century while excise receipts usually grew, establishing a gap which was closed a little with the quicker growth of customs receipts in the two decades before the American Revolution,

before excise receipts again experienced faster growth towards the end of the eighteenth century. But the high rate of growth of both revenue streams from the American War onwards deserves particular emphasis, especially from the 1790s. The years 1789-1815 saw the collection of 77 per cent of all net excise receipts from 1708 to 1815 and 70 per cent of net customs receipts. While those figures are exaggerated by using current rather than constant prices, it remains the case that changes from c. 1780 dwarfed those before.

The final general quantitative feature of the tax regime in this period to be considered is how much money was sent from Scotland to England, bearing in mind that money was retained in Scotland to pay the costs of revenue collection, the Equivalent, civil, legal, and ecclesiastical government, bounties, repayments, ad hoc outlays, and, as has been noted, tax rebates. Again figures for remittances from the customs and excise provide the best and most important evidence.

Rapidly rising tax receipts in the late eighteenth century took place alongside significant reductions of spending on drawbacks and other items, leaving much more money to be sent to London. Annual average amounts remitted from 1708-34 were only just over £1,000 for the customs and £12,000 for the excise, by the end of the eighteenth century the respective figures were £119,000 and £415,000, and in the five years to 1815 £380,000 and £1,530,000. (Scottish excise payments to London over the whole period were four times those from the customs.) In those final years, much heavier taxes on wealth also led to payments of £1,406,000 per annum into the Exchequer in London. Developments from about 1780 emerge clearly again: 94 per cent of total customs and excise remittances from Scotland to London between 1708 and 1815 were made after 1780.²⁵

There is no doubt that between the Union and Napoleon's final defeat actual tax burdens increased more quickly in Scotland than in the rest of Britain. If in 1703-5 the ratio of Scottish to English and Welsh tax receipts was around 1:36, by 1804-15 it was 1:14. From around 1780 in particular, Scottish taxpayers were becoming more important to the British fiscal state. Even so, while in Scotland the annual average cost of taxes per person was £2.14

²⁵ NRS, E553/3-4; BL MS Add. 38203; Ann Arbor, William L. Clements Library, Shelburne Papers, vol. 109; David Macpherson, *Annals of Commerce, Manufactures, Fisheries And Navigation*, 4 vols. (London, 1805), iii-iv; see note 14. Remittances of customs and excise to 1800 are graphed in Hoppit, *Britain's Political Economies*, 291.

in 1804-15, this was only 40 per cent of the figure for England and Wales (£5.39). Moreover, proportionally higher costs in Scotland of repayments, management charges of the revenue services, and bounties, meant that a lower proportion of its taxes made their way to the Exchequer in London than in England and Wales.

Occasionally developments during the period can also be approached on a tax-by-tax basis, while distinguishing England from Wales (a distinction not made in the published finance accounts from 1804) (see Table 4).

Table 4. Index of selected taxes collected by nation, per capita, 1710-1829 (Britain = 100 at given dates)

	England	Scotland	Wales
EXCISE – gross			
1741	123	17	32
1783-5	120	26	26
1796	118	33	22
CUSTOMS – gross			
1710	124	10	4
1750	122	19	2
1780	120	26	4
1829	116	59	4
LAND TAX			
1707-98	123	14	45
INCOME TAX – net			
1812	111	60	49

Source: Sandon Hall Staffordshire [SHS], Harrowby Trust Mss 525; TNA, PRO 30/8/288, ff. 18 and 56; NRS, E554/3-4; TNA, CUST 154/4-13 (from the European State Finances Database); BL MS Add. Musgrave 8133; NRS, E231/9/3; NRS, E501/43, 73; TNA, CUST 37/64; Anon.,

Land Tax at 4s in ye Pound Paid by England & Wales in 1702, & 1744 (London, 1745); Marshall, *Digest*, [second pagination] 29, 68-9; for population see Table 2 and John Williams, *Digest of Welsh Historical Statistics*, 2 vols (Cardiff, 1985), i, 6-7.

Note: much Welsh trade passed through the English ports of Bristol, Gloucester, Chester, and Liverpool. The land tax was unchanged between the Union and 1798, when composition for it began.

While these figures confirm both that the tax take rose significantly in Scotland during the period but remained well beneath figures for England, they bring into the light interesting comparisons between Scotland and Wales. It is important that it was only after the end of the American War that Scots paid relatively more excise than the Welsh and that the land tax in Scotland was at a very low level. Only with the introduction of the income tax in 1799 were Scottish wealth holders taxed as effectively as those in Wales. Such findings gain greater significance in the light of the fact that commentators in England seem never to have questioned the contribution of Wales to the British fiscal state, but often to have done so for Scotland.

Yet comparing national experiences in these ways is somewhat unrealistic, for two main reasons. Firstly as the well-informed Aberdonian James Anderson put it, ‘the whole of the [Scottish] national revenue ... is obtained from the small but active and industrious division of it, on both sides of the friths of the Clyde and Forth, which abounds with manufactures and commerce’, a view borne out by surviving accounts.²⁶ By his reckoning, taxes collected in the Highlands and islands fell short of management charges. In this way, Glasgow had more in common with Liverpool, Bristol, and London, than with Oban, Thurso, or Inverness. Such regionalism was also a factor in England, with London and the south east

²⁶ James Anderson, *Observations on the Effects of the Coal Duty Upon the Remote and Thinly Peopled Coasts of Britain* (Edinburgh, 1792), 6-7. Amounts of excise by ‘collection’ from 1752 are in NRS, E555/1-40. These show over three-quarters was collected in the central belt. Some 72 per cent of gross customs duties between 1750 and 1815 were collected in Glasgow, Port Glasgow, and Greenock; Leith was the next most lucrative port. NRS, E501/43-111.

especially tax rich, with small provincial English and Welsh customs ports often a net drain on the public purse.²⁷ Regions rather than nations are a better way of approaching some aspects of the territoriality of Britain's fiscal state.

Secondly, it is important to distinguish between where taxes were collected, their formal incidence, and where ultimately they were paid, their effective incidence, because some goods were taxed in one nation but consumed and ultimately paid for in the other.²⁸ Mostly, the flows here were from England to Scotland, particularly arising from London's huge importance to the import of goods from Asia, Africa, the Mediterranean, and Iberia.²⁹ Taking tea as an extreme case, this was a monopoly of the East India Company until 1833, with 99 per cent of the import duties collected in Britain being paid in London, even though Scotland in the 1790s had over 4,500 licensed tea dealers.³⁰ The taxes on tea and some other goods paid in London were passed onto dealers and their customers around Britain through higher prices. Only in the case of Scotch whisky did the geography of exactions run significantly in the opposite direction. Although because of such considerations one commentator thought that in many ways 'Scotland was taxed in England', Sinclair estimated that adjusting for the effective incidence of customs and excise duties would raise Scottish receipts by just 6 per cent – the fall in England and Welsh receipts would have been under 1 per cent.³¹

²⁷ Julian Hoppit, 'Taxing London and the British fiscal state, 1660-1815', in Julian Hoppit, Adrian Leonard, and Duncan Needham (eds), *Money and Markets: Essays in Honour of Martin Daunton* (forthcoming, Woodbridge, 2019).

²⁸ For this distinction see J. A. Kay and M. A. King, *The British Tax System* (Oxford, 1978), 7.

²⁹ [Colonel Tittler], *Ireland Profiting by Example; or, the Question, Whether Scotland has Gained, or Lost, by an Union with England, Fairly Discussed* (Dublin, 1799), 19.

³⁰ Hoh-Cheung Mui and Lorna H. Mui, *Shops and Shopkeeping in Eighteenth-Century England* (Kingston, Montreal, 1989), 301-3.

³¹ BL MS Shelburne Add. 88906/04/1/192, f. 2; John Sinclair, *The History of the Public Revenue of the British Empire*, 3 vols (3rd edn., London, 1803-4), iii, 140-1; TNA, CUST17/21. Similarly, when in 1810 the Lord Advocate, Archibald Colquhoun, defended the amounts of taxes paid by Scots, his calculations of the effective as opposed to the formal incidence of all

Having set out some of the dimensions of central government taxation collected in Scotland, attention now turns to explanation, though in the space remaining only fairly general points can be made. These are framed by the fact that schematically totals of tax collected are a function of three closely related general factors: tax policy – decisions about what and how to tax; taxable capacity, or the amount of taxable goods and services being produced, traded, or consumed; and the tax gap – the difference between maximum possible and actual receipts, in turn a function of administrative efficiency and the willingness or not of people to pay taxes (tax morale).

Unquestionably tax policy in this period was overwhelmingly driven by English experiences and expectations: the taxation of whisky in the late eighteenth and early nineteenth century is the exception which proves the rule.³² O'Brien has set this out well and only a few points need be made here: of the considerable importance of indirect taxes (customs and excise) until greater efforts were made in the late eighteenth century to tax the wealthy, culminating in the income tax in 1799.³³ More specifically, customs duties on exported goods were of minor significance immediately following the Union and mostly abolished in 1722 in an effort to stimulate manufacturing and increase exports. Consequently, customs receipts depended heavily on imported goods and so were mainly a function of domestic demand. A key point is that the export of the products of growing industry in Scotland in the period did not increase customs revenues much. That was not the case with the excise. In the early years of the Union this was almost all collected on beer; and though alcohol (and its inputs) was the source of around two-thirds of excise collected in Scotland in the period many other goods came to be subject to it – though the Scottish excise Commissioners observed that several of new excises were applied to products 'altogether unknown in Scotland, such as Hops, Cyder, & Perry Sweets, Vinegar,

taxes still concluded that only around 9 per cent of the British total was paid by Scots.

Historic Hansard Online, House of Commons debate, 16 February, 1810, col. 438.

³² Vivien E. Dietz, 'The politics of whisky: Scottish distillers, the Excise, and the Pittite state', *Journal of British Studies* 36 (1997) 35-69.

³³ O'Brien, 'The political economy of taxation'.

Verjuice, Mead, Wine &c'.³⁴ While absolute amounts of excise duties on alcohol, on both domestic and foreign production, continued to rise significantly through period, proportions dropped to just over 50 per cent of total excise receipts by the end of the eighteenth century because of the increasing importance of taxes on soap and printed textiles in particular, both key products of Scotland's rapidly developing textile industries.³⁵ If the excise was one means of tapping into the burgeoning output of the Scottish economy, the income tax finally allowed Scotland's wealth holders to begin to be taxed at levels close to those in parts of England and Wales. By 1804-15 a quarter of the tax take in Scotland came from direct taxes on wealth.³⁶

It was not, however, simply through increasing the rate and range of taxes that public revenues were bolstered. Despite exiting the American War in 1783 badly defeated and very heavily indebted, over the next decade considerable efforts were made by central government in London to tackle the scale of smuggling and fraud across Britain that had recently been brought officially into the light. At last Pitt the Younger grasped the nettle of high duties incentivising illicit trade and the chaos of an undigested body of revenue statute law. The duty on tea was slashed, the collection of duties on spirits, tobacco, and wine improved, and some consolidation of customs duties undertaken.³⁷

All of this helped to improve both British and Scottish revenues; territorial considerations were not uppermost. It is clear, however, that leading ministers and the Treasury were alert to territorial considerations, often in English regional terms, but sometimes in terms of the relative burdens of England and Scotland – Wales intruded little

³⁴ NRS, CE8/3, f. 91. This was true, save for wine which when the commissioners wrote produced £32,052 for the excise in 1790, 6 per cent of the total. Figures for the value of these commodities to the excise in England and Wales are only available for 1796. Wine produced 7 per cent of the total and the others mentioned by the commissioners under 2 per cent of total gross excise collected. TNA, PRO 30/8/288, f. 56.

³⁵ Donnachie, *Brewing Industry in Scotland*, 21; NRS, E554/3-4.

³⁶ See note 14.

³⁷ [George Rose], *A Brief Examination into the Increase of the Revenue, Commerce, and Navigation of Great Britain, since the Conclusion of the Peace in 1783* (London, 1792); J. E. D. Binney, *British Public Finance and Administration, 1774-92* (Oxford, 1958).

into their thinking.³⁸ Harley, Walpole, Pelham, Townshend, Shelburne, and Pitt the Younger were all concerned for a time with whether Scotland was paying enough taxes, with the usual presumption that it was not. Thus it is important to note that extension of the malt tax to Scotland in 1713, which almost caused the end of the Union, took place in the context of Harley having received extensive reports into the allegedly heavy financial costs to England of the Union: of previously undeclared pre-Union Scottish public debts, rapidly rising expenditure there on offices and bounties, and lower than expected tax receipts.³⁹ Harley was warned that the malt tax was a litmus test and that yielding too much to Scottish complaints and claims of distinctive rights would mean that ‘the Union will never be completely fixt on its proper foundation, which is a just equality in privileges & duties.’⁴⁰

Such an emphasis on the application of common taxes across post-Union Britain, the principle of equality, could be justified simply in terms of treating all alike, but also that applying lower tax rates in less advantaged areas encouraged businesses in places they were ill-adapted to.⁴¹ That was all well and good, but the treaty had explicitly stated that new exactions had to take account of territorial differences in taxable ‘abilities’, raising the possibility that equality and equity might diverge. In this regard it is notable that the first concerted theorists of taxation, Kames and Smith, both laid great stress on the ability to pay

³⁸ A rare assessment of the Welsh economy is BL MS Lansdowne 1215, ff. 170-2, ‘The annuall trade of south and north Wales compared in exports, imports and coast goods inwards and outwards – a medium for three years’ [1742-5].

³⁹ BL MS Add. 70047.

⁴⁰ BL MS Add. 70047, f. 151, John Crookshanks to Harley, 26 June 1713. As the Earl of Stair had put it, ‘in any kind of union involving free trade[,] equality of taxation is the mainstay on which the welfare of both countries depends.’ Clerk, *History of the Union*, 141.

⁴¹ ‘There ought to be no allowance made to the inhabitants of any place in Scotland in their duties, or manner of levying them, on account of any inconveniences peculiar to their situation ... It is in the interest of every man to engage in that line of business which is adapted to the circumstances in which he is placed, and not to force a business for carrying on of which every requisite is wanting.’ Evidence of Frederick Maclagan in ‘Report from the Committee upon the Distilleries in Scotland’, 11 June 1798, in *Reports from the Committees of the House of Commons* 11 (1803), 427.

taxes, with Smith a firm proponent of progressive taxation.⁴² In practical terms, however, there was an inherent asymmetry to these two aspects of the Union, for applying taxes equally was very much easier than applying them equitably, which to get right required the ‘greatest Prudence’.⁴³ Before the growth of assessed taxes and the income tax, the only sure way of aligning those principles was to set taxes at rates the least able could afford – a lowest-common denominator approach. This, however, had the obvious enough weakness of severely limiting the amounts that might be raised, to the extent that the tax might not be worth collecting at all. Given Britain’s expensive geo-political priorities in this period, European and imperial, that was never a realistic option.

Yet policy makers did seek to balance the principles of equality and equity. One way, largely neglected by historians, was to apply lower rates on a number of key taxes in Scotland, if not continuously through the period: on land, malt, salt, Highland spirits, and even elements of the income tax.⁴⁴ By such means Britain was a more qualified common market than is usually acknowledged, even sometimes creating the conditions for internal smuggling.⁴⁵ Second, bounties on linens, fisheries, and whaling were especially aimed at

⁴² James A. Harris (ed.), Henry Home, Lord Kames, *Sketches of the History of Man*, 3 vols (Indianapolis, 2006), ii, 435. He thought that to tax one-eighth (12.5 per cent) of a person’s income was ‘too much’, 436. R. H. Campbell and A. S. Skinner (eds), Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, 2 vols. (Oxford, 1976), ii, 842 and 846. Tax developments have been closely tied to the question of the ability to pay in Edwin R. A. Seligman, *The Income Tax: a Study in the History, Theory, and Practice of Income Taxation at Home and Abroad* (2nd edn., New York, 1914).

⁴³ [Alexander Carlyle], *Essay upon Taxes: Particularly Tending to Shew that the Ministers of the Church of Scotland Cannot in Law, and Ought Not in Justice and Equity, be Subjected to the Tax Upon Houses and Lights* (Edinburgh, 1769), 3.

⁴⁴ Arthur Hope-Jones, *Income tax in the Napoleonic Wars* (Cambridge, 1939), 48. On salt, TNA, PRO 30/8/317, ff. 94 and 104.

⁴⁵ Brewer, *Sinews of Power*, 129, stressed the national incidence of taxation, but confined his comments to England. On internal smuggling of spirits, John Philipson, ‘Whisky smuggling on the border in the early nineteenth century’, *Archaeologia Aeliana*, 4th series, 39 (1961) 151-63.

Scottish economic interests, both to stimulate activity and to curry favour – one political economist of the period called bounties ‘untaxing’. Certainly the corn laws favoured English farmers, but those bounties became more or less irrelevant from the 1760s, while bounties favouring Scotland did not wither.⁴⁶ From 1804-15 Scotland received nearly a quarter of all British public expenditure on bounties, well in excess of the Scottish share of the tax take and population. In a similar vein, the creation of the Board of Trustees for Fisheries, Manufactures, and Improvement in 1727 was funded partly in order to make the abolition of the rising Equivalent and the extension of the malt tax to Scotland more palatable.⁴⁷ Finally, there was considerable public investment in Scotland. Initially this was heavily military in purpose – forts and Wade’s roads.⁴⁸ But civil expenditure grew in importance after Culloden. For example, £189,000 was spent on roads and bridges in Scotland from 1751-1800 and in 1803 a Commission for Highland Roads and Bridges was established that continued such spending for decades.⁴⁹ Despite the enormous costs of the Napoleonic Wars, over £900,000 was spent on the Caledonian Canal in the twenty years from 1803, explicitly aimed at addressing Highland depopulation.⁵⁰ The only projects south of the border to rival such expenditure was on the building of Westminster Bridge and the London to Holyhead road after the 1801 Union.

Making some taxes lighter in Scotland and directing relatively more spending there shows that ministers in London gradually appreciated that English practices could not simply

⁴⁶ Hoppit, *Britain’s Political Economies*, ch. 8; Anna Gambles, ‘Free trade and state formation: the political economy of fisheries policy in Great Britain and the United Kingdom, circa 1750-1850’, *Journal of British Studies* 39 (2000) 288-316; Joseph Massie, *Observations on the New Cyder-Tax* [London?, 1764?], 8.

⁴⁷ R. H. Campbell (ed.), *States of the Annual Progress of the Linen Manufacture, 1727-1754* (Edinburgh, 1964).

⁴⁸ Fort George, the most expensive of the forts, cost £200,000. Chris Tabraham and Dorren Grove, *Fortress Scotland and the Jacobites* (London, 1995), 95.

⁴⁹ PP, 1868-9, XXXV, Public Income and Expenditure; Jo Guldi, *Roads to Power: Britain Invents the Infrastructure State* (Cambridge, MA, 2012), which should be read alongside Dorian Gerhold, ‘Review of Guldi, *Roads to power*’, *Victorian Studies* 56 (2014) 291–3.

⁵⁰ A. D. Cameron, *The Caledonian Canal* (4th edn., Edinburgh, 2005).

be imposed there willy-nilly. A key limitation, however, was that it was difficult for policy makers to assess Scotland's taxable capacity. They routinely gained information and intelligence from revenue commissioners in Edinburgh and periodically commissioned reports on aspects of Scotland's public revenues, but, as with England, they depended on ad hoc feedback from the informed and the interested. The Convention of the Royal Burghs was able to help in that way through the period, but from the 1770s new channels of communication arose, particularly because of the flowering of Scottish political economy and Scottish economic interests, notably the Highland Society of Scotland and the Glasgow and Edinburgh chambers of commerce (all established 1783-5), who saw taxation as something they could and should seek to influence through concerted action.⁵¹ This was significantly aided by the fact that in the late eighteenth century Henry Dundas, with considerable political authority in Scotland and a close working relationship with Pitt the Younger in London, provided a focal point for considering how to tax Scotland.⁵²

Three types of point tended to be made about Scotland's taxable capacity. Firstly, and most importantly, plenty of commentators argued that Scotland's economy was environmentally constrained compared to the rest of Britain. Consequently, secondly, Scotland's economy was less capital intensive, its markets were narrower, its infrastructure less developed, and there was more subsistence production. Finally, raising taxes for central government had to be placed in the context of exactions for local administration, which were said to be higher in Scottish burghs – though poor rates were a significant burden in England. Thus, for example, it was claimed that because the quality of barley produced in Scotland was inferior to that produced in England, it would be wrong to tax malt and ale at

⁵¹ Glasgow, The Mitchell Library, TD1670/1/1-3, Glasgow Chamber of Commerce minute books; Edinburgh, Edinburgh City Archives, ED005/1/1-2, Edinburgh Chamber of Commerce minute books; Andrew Mackillop, 'The political culture of the Scottish Highlands from Culloden to Waterloo', *Historical Journal* 43 (2003), 511-32.

⁵² NLS, MS Melville Papers 14, 62, 640, and 1058; Anon., *Considerations on the Union between England and Scotland* (London, 1790), 23.

the same rates across Britain.⁵³ Additionally it was pointed out that many burghs had come to tax two penny ale, such that applying English excise rates in Scotland rendered the drink much more heavily taxed in many Scottish towns.⁵⁴ Finally it was pointed out that while England would never countenance the taxing of its staple industry, woollens and worsteds, Scotland was not so favoured – though there was much less clarity about just what Scotland’s staple was (barley, linens, and fisheries were all proposed).⁵⁵

Although tax policy led to some lower tax rates in Scotland, it is inconceivable that over the long term the rate of growth of taxes collected in Scotland did not exceed that of the economy, but by how much is impossible to say precisely given the absence of Scottish national accounts. Yet some speculations can be offered about Scotland’s taxable capacity. The first is that in 1691 perhaps 11 per cent of Scotland’s population lived in towns of at least 2,000 people, a figure that is unlikely to have changed much before the Union. By 1801, however, the share had increased to 36 per cent.⁵⁶ Such a significant change speaks not only to increases in the division of labour between town and countryside (and attendant productivity rises), but it also involved the growth in the proportion of goods that were marketed and therefore taxable compared to household production and consumption. Additionally, the greater concentration of people in towns, often in ports, rather than dispersed over the countryside, enabled administrative economies of scale to be reaped by

⁵³ A point made in several petitions to the House of Commons after the malt tax disturbances of 1725: *Journals of the House of Commons*, 20 (1722-7), 594-6, 598, 600, and 604. Generally, Sinclair, *History of the Public Revenue*, iii, 135-8.

⁵⁴ For an attack on the spread of such burgh exactions see Anon., *Reflections Upon the Tax of Two Pennies Scots Per Pint, on All Ale and Beer* (Edinburgh, 1761). It was claimed that this spread breached the Union: Anon., *Importance of the Brewery Stated: and the Extreme Impolicy of Renewing the Impost of Two Pennies Scots ... on Malt Liquors, Brewed Within Certain Towns in Scotland* (Edinburgh, 1797), 73.

⁵⁵ Anon., *Memorial Concerning the Malt-Tax* (Edinburgh, 1726), 2 and 6. On barley as a staple, Anon., *An Apology for Whisky* (Edinburgh, 1759), 1-2.

⁵⁶ Ian D. Whyte, ‘Urbanization in eighteenth-century Scotland’, in T. M. Devine and J. R. Young (eds), *Eighteenth-Century Scotland: New Perspectives* (East Linton, 1999), 179.

tax collectors. By the end of the period under discussion levels of urbanization did not differ very significantly between Scotland and England.

Not that the English and Scottish economies operated at the same levels or in the same ways. It is impossible to pin down the differences precisely, but Scotland's declining share of Britain's population across the period, from about 17 to 15 per cent gives pause for thought. Certainly some statistics suggest that Scotland's economy performed less well than England's: towards the end of the period Scotland's share of figures for Britain was 11 per cent of shipping tonnage, 6 per cent of official trade values, 11 per cent of coal output, 9 per cent of spending on roads, 14 per cent of printed calicoes and muslins, and 5 per cent of pig iron output.⁵⁷ It is impossible to know how representative such numbers are, but if in 1815 Scotland's economy accounted for 11 per cent of the British whole but 15 per cent of the island's population, then by implication Scotland's productivity was about 73 per cent of Britain's.⁵⁸ If true, that helps to explain the fact that the per capita tax take in Scotland was then about 40 per cent of England and Wales. Yet an important question is whether productivity and taxable capacity are one and the same. Some support is provided from wage rates. Using simple averages, Hunt's evidence shows that in the 1790s carpenters in Aberdeen, Edinburgh, and Glasgow received wage rates under 60 per cent of their fellow workers in Exeter, London, and Manchester, while Scottish agricultural wage rates were about 70 per cent those of England.⁵⁹ (Smout and Gibson have also shown that labourers' daily wage rates rose significantly in the 1780s, coinciding with the upsurge of tax receipts in

⁵⁷ Macpherson, *Annals*, iii-iv; Michael W. Flinn, *The History of the British Coal Industry. Volume 2, 1700-1830: the Industrial Revolution* (Oxford, 1984), 26; Sidney Pollard, 'Roads and waterways, 1750-1850', in Charles H. Feinstein and Sidney Pollard (eds), *Studies in Capital Formation in the United Kingdom, 1750-1920* (Oxford, 1988), 198-9, 206; Edward Baines, *History of the Cotton Manufacture in Great Britain* (2nd edn. 1966), 283; Charles K. Hyde, *Technological Change and the British Iron Industry, 1700-1830* (Princeton, 1977), 123.

⁵⁸ That is 11/15 is 73 per cent. The size of the numerator is critical here: if, for example, Scotland's economy was 10 or 12 per cent of Britain's, then its productivity was 67 or 80 per cent.

⁵⁹ E. H. Hunt, 'Industrialization and regional inequality: wages in Britain, 1760-1914', *Journal of Economic History* 46 (1986) 964-6.

Scotland.⁶⁰) Even so, wage rates are not real family incomes, while it is questionable to assume that the ability to pay taxes rises and falls in direct proportion to those incomes, especially in a tax regime which, before 1799, was highly regressive. Importantly, in 1785 the Prime Minister, Pitt the Younger, thought as much, stating in the House of Commons that a country half as wealthy, populous, and commercial as another would only be able to pay one-tenth of the taxes – he had in mind both British-Irish and Anglo-Scottish comparisons.⁶¹

Given such considerations, it is impossible to judge confidently how much tax policy and taxable capacity explain the different levels of the tax take in Scotland compared to England and Wales. But some further light can be shed considering the question of the tax gap in Scotland and how it may have changed over time.

Although the inefficiencies of the land tax administration in this period have been laid bare, and Graham has shed some light on the customs, we lack the equivalent for Scotland of the important studies of the collection of customs, excise, and salt duties in England.⁶² In Scotland the introduction of the customs and excise services at the Union on the basis of those south of the border posed serious challenges of organization, recruitment, and management of revenue officers. One way of summarizing how well they were met is to consider spending on collection (salaries and incidental costs) relative to gross income. In the period 1804-15 management charges were 7 per cent in Scotland and 4 per cent in England and Wales. This marked a considerable improvement over earlier in the period in Scotland. Costs of excise collection there were on an upward trend in the first fifty years of the Union, reaching 28 percent on average for the years 1735-61. But levels then gradually

⁶⁰ Gibson and Smout, *Prices, Food, and Wages*, 299.

⁶¹ W. Cobbett (ed.), *The Parliamentary History of England, from the Earliest Times to the Year 1803*, 36 vols. (London, 1806-20), xxv, col. 586.

⁶² Ward, 'The land tax in Scotland'; Eric J. Graham, *A Maritime History of Scotland, 1650-1790* (East Linton, 2002); Selma E. Fine, 'Production and Excise in England, 1643-1825', unpublished Ph. D thesis (Radcliffe College, 1937); Elizabeth Evelyn Hoon, *The Organization of the English Customs System, 1696-1786* (New York, 1938); Edward Hughes, *Studies in Administration and Finance, 1558-1825 with Special Reference to the History of Salt Taxation in England* (Manchester, 1934).

reduced, to 19 per cent in the years 1762-88 and 8 per cent by 1789-1815. For the customs, the scale of drawbacks makes the use of gross receipts somewhat questionable, but collection costs were 16 per cent before 1730, 3 per cent in 1773 (when drawbacks were very high), and 10 per cent in 1800.⁶³ (The figures net of drawbacks were 31, 35, and 11 per cent respectively.) For both those revenues, and irrespective of whether gross or net figures are used, until the mid-eighteenth century collection costs in Scotland were very much higher than in England and Wales, when the gap began to close, though not completely.⁶⁴

There were very good reasons why it was relatively more costly to collect taxes in Scotland than in the rest of Britain: administrative scale economies were reduced by lower population density, productivity, and output. With regard to the first of those – the other two having already been discussed – in the middle of the eighteenth century compared to England each excise man in Scotland covered on average four times the area and two-thirds more people, indeed later the excise was farmed to tacksmen in some of the northern isles.⁶⁵ But the quality of the accounts kept by the customs and excise services, the volume of correspondence which flowed from commissioners in Edinburgh to officers around the country, and the speed with which requests and directives from London were dealt with also speaks to the efforts that were made. Certainly, English criticisms of lax tax collection in Scotland were vigorously disputed by the late eighteenth century, with one author stating that ‘every tax is levied regularly, and full as strictly as in England, by careful, attentive boards and officers.’⁶⁶ It says much that Adam Smith spent the last twelve years of his life (1778-90) working hard as a Customs Commissioner in Edinburgh. After seven years he

⁶³ [Mure], *Caldwell papers*, iii, 227; TNA, Cust17/21.

⁶⁴ TNA, CUST17/21.

⁶⁵ SHS, Harrowby Trust MS 525, ff. 1-50; NRS, GD1/54/10; population as for Table 2. NRS, E555/1-40 lists salaries and other expenses of excise collection from 1752. Six years have been sampled, 1752, 1760, 1770, 1776, 1801, and 1815, with tacksmen noted at the first four but not the last two years (E555/1, 18, 24, 26, and 40).

⁶⁶ Anon., *Considerations on the Union*, 66-7.

rightly noted the large increases in revenue in that time, but believed that amounts collected could rise still further.⁶⁷

It would be wrong, however, to argue that there were no problems with the administration of tax collection in Scotland (or in England for that matter). In 1782 Henry Dundas stated that ‘the public revenues in Scotland are ill-collected, ill-managed and ... of those collected a sufficient proportion does not reach the Treasury in England.’⁶⁸ Likely that was a considerable exaggeration, but the period of his political supremacy in Scotland was more or less exactly when amounts of taxes collected rose sharply. But in so far as this was due to administrative changes after 1780 this built on earlier developments, especially as a consequence of the involvement of some revenue officers in the ‘45.⁶⁹ After Culloden more concerted steps than before were taken to improve tax collection in Scotland, including weeding Jacobites from the revenue services, establishing a pension scheme for loyal excise officers in 1748, instituting new forms of record keeping, buying out for £70,000 the Duke of Athol’s control of customs collection in the Isle of Man in 1765, and compounding other revenue privileges in the 1780s (at a cost of over £60,000).⁷⁰ More and more revenue officers were appointed, against a backdrop of an expanding economy, helping to explain the surge in revenues detailed earlier.

Yet administrative limitations remained. Internally, significant arrears of payments from revenue officers were fairly common – in 1815 the Excise Commissioners in Edinburgh

⁶⁷ *The Correspondence of Adam Smith*, ed. Ernest Campbell Mossner and Ian Simpson Ross (Oxford, 1987), 290; Gary M. Anderson, William F. Shughart II, & Robert D. Tollison, ‘Adam Smith in the customhouse’, *Journal of Political Economy* 93 (1985) 740-59.

⁶⁸ Michael Fry, *The Dundas Despotism* (Edinburgh, 1992), 63, 65.

⁶⁹ NRS, CE56/7/184.

⁷⁰ BL MS Add. Newcastle 33050, ff. 110-87; William Coxe, ed., *Memoirs of the Administration of the Right Honourable Henry Pelham*, 2 vols (London, 1829), ii, 412-17, 439-40; <http://privy.council.independent.gov.uk/royal-charters/chartered-bodies/>; Anon., *A Scheme for Raising a Fund for a Provision for Widows and Orphans of Excisemen in Scotland* (Edinburgh, 1745); Ros Stott, ‘Revolution? What revolution? Some thoughts about revestment’, *Proceedings of the Isle of Man Natural and Antiquarian Society* 11 (2003-5), 541-52; NRS, CE8/1, ff. 58, 76-85, CE8/2, ff. 32, 59-60.

were still awaiting many payments from around the country stretching back decades, indeed in one case to 1714.⁷¹ These were presumably unrecoverable bad debts, but slow payments were endemic: commonly about half the land tax was collected in a given year, with most of the rest arriving in the second or third year.⁷² Seasonal patterns of financial flows linked to the underlying agrarian economy partly explain such delays, but a culture of slow payment appears to have been usual.⁷³ Worse still was the widespread failure to collect the window tax introduced in 1749, commonly because the costs were expected to exceed the receipts; finding collectors was initially impossible in many counties.⁷⁴ If this was more resistance than revolt among propertied society, it is striking even so.

If the government found few willing in Scotland to collect the window tax from 1749 this was consistent with the failure of JPs always to support revenue officers in applying the law. This had been especially the case in the early decades of the Union when a paucity of JPs had been identified as a structural weakness, exacerbated by the fact that juries were reluctant to convict those charged with revenue offences – the introduction of sheriff deputies after the '45 helped.⁷⁵ This speaks to the important question of how far wider society actively evaded tax collection, either through smuggling or fraud.

It is inherently difficult to make secure judgments about the extent of illicit economic activity in any society. By its nature it is hidden from view, yet prone to speculation about its extent, not least in the Scottish case with its 'Wide and ill-guarded' coastline and sparsely

⁷¹ NRS, E555/40, Tables 23 and 24. See also Table 26.

⁷² NRS, GD113/4/141/6, 9, 42, 72, 110. There could also be significant arrears in England. See J.V. Beckett, 'Local custom and the 'new taxation' in the seventeenth and eighteenth centuries: the example of Cumberland', *Northern History* 12 (1976) 107.

⁷³ From Dumfries in 1749 it was stated that 'Midsummer and Martinmass are the only season when money is to be found in the country, by the returns of cattle from England.' NRS Innes Papers GD113/5/196/4.

⁷⁴ NRS, Innes Papers GD113/5/196/1-34.

⁷⁵ On the lack of JPs, William A. Shaw (ed.), *Calendar of Treasury books, October 1706 to December 1707*, vol. 21, part 2 (London, 1952), 260 and 368; on juries TNA, SP54/16/70.

populated remote districts.⁷⁶ Fundamental to its extent is its profitability, with higher duties producing wider margins; while political or cultural considerations might drive some tax evaders they can only continue in business if the savings they make from not paying duties outweigh the additional costs inherent in operating illicitly. That said, those costs also depend on the extent to which such activities are or are not condoned by wider society: greater acceptance can lower the additional costs.

As Whatley has shown, there is no doubt that the post-Union tax regime shocked many Scots, leading to considerable evasion and resistance, with some places effectively ungovernable.⁷⁷ Revenue officers were frequently confronted by people prepared to use force to resist paying taxes or to reclaim seized goods, this on seemingly a much greater scale than such activities in England. This might be linked to Jacobitism, anti-Hanoverianism, or even a broader anti-authoritarianism, in places under-written by covenanting ideas.⁷⁸ Such sentiments were most loudly expressed in the malt-tax disturbances in 1725, when by one report from Edinburgh ‘The Scotch here have no notion of laws nor new taxes’, while the Duke of Newcastle informed General Wade that it was ‘high time’ Scots were ‘brought under an equal obedience to the laws, with the fellow subjects in this part of Britain’.⁷⁹ But it is important not to forget the earlier discussion about taxable capacity here. Resistance to the paying of taxes in the decades following the Union may have been a consequence of hostility to the new regime, but relative poverty must also have been a powerful factor.

Gradually such resistance waned, even if it never disappeared – and was somewhat reawakened by negative reactions to the growing power of revenue officers from the

⁷⁶ Duncan Forbes, *Some Considerations on the Present State of Scotland* (3rd edn., Edinburgh, 1744), 15.

⁷⁷ Whatley, ‘How tame were the Scottish Lowlanders’; see also Christopher A. Whatley, *Scottish Society, 1707-1830: Beyond Jacobitism, Towards Industrialisation* (Manchester, 2000), 194-6.

⁷⁸ Valerie Wallace, ‘Presbyterian moral economy: the Covenanting tradition and popular protest in Lowland Scotland, 1707-c. 1746’, *Scottish Historical Review* 89 (2010), 54-72.

⁷⁹ TNA, SP54/15/47.

1770s.⁸⁰ In fact although the disturbances in 1725 were the most significant concerted expression of hostility to the new fiscal order, it also saw the authorities, principally Lord Advocate Duncan Forbes and General Wade, assert their power, though impressionistically the use of the military to support the collection of the revenue appears to have been less than in England and Ireland.⁸¹ If the prosecution of the Glasgow magistrates failed, hauling them off to Edinburgh was certainly clear evidence that judicial inactivity in the face of wanton tax resistance would no longer be tolerated. Thereafter, Forbes took an active if quixotic interest in matters of taxation, bemoaning the failure of Scotland to pay more.⁸² (In fact, it is notable that the malt tax was paid in significant amounts from 1725.⁸³) Sleeping dogs were let be for a time, but the '45 led London to increased pressures on the revenue services in Scotland.⁸⁴ However, rising duties in the wars from mid-century (1756-63, 1775-83, 1793-1802, and 1803-15) produced a more fertile environment for smuggling that was often impossible to eradicate, despite escalating punishments: 'Wherever there is temptation to smuggle ... no laws can prevent it' was a common enough view.⁸⁵ While this

⁸⁰ Rejecting British tax burdens in Scotland, especially on Highland whisky, became a part of a certain tradition, with Burns at its fount: Walter Scott, *The Heart of Mid-Lothian*, ed. David Hewitt and Alison Lumsden (Edinburgh, 2004), 22; Neil M. Gunn, *Whisky and Scotland: a Practical and Spiritual Survey* (1935), 43; Compton Mackenzie, *Whisky Galore* (1947).

Intriguingly, Burns and Gunn both worked for the excise service.

⁸¹ Patrick Walsh, 'Enforcing the fiscal state: the army, the revenue and the Irish experience of the fiscal-military state, 1690-1769', in Graham and Walsh (eds), *The British Fiscal-Military States*, 131-58.

⁸² [Duncan Forbes], *Considerations Upon the State of the Nation* (Edinburgh, 1730); [H. R. Duff, ed.], *Culloden Papers* (1815), 188-95.

⁸³ Using annual average gross figures for 1726-35, NRS, E554/3 shows malt duties were £28,000 out of total excise receipts of £99,000. In 1726 Forbes reported that 'The malt tax is every where submitted to, without any attempt of resistance'. TNA, SP54/17/31.

⁸⁴ Alexander Murdoch, *'The People Above': Politics and Administration in Mid-Eighteenth-Century Scotland* (Edinburgh, 1980), 62-8.

⁸⁵ Anon., *Considerations on the Impolicy of Local Exemptions from the Payment of Excise Duties on the Distillation of Spirits in Scotland* (London, 1797), 103.

took place in many parts of Britain, the role of the Isle of Man as a smuggling entrepôt before 1765 focussed considerable attention for a time on Scotland and its black economy.⁸⁶ Subsequently, it was the illicit production and distribution of whisky that caused most concern, especially in the period after 1784 when the Highlands were subjected to lower duties than the Lowlands and England, alongside attempts to limit small-scale production – all in an effort to extract more revenue from the region.⁸⁷ If this showed up some of the significant limitations of the British fiscal state, the form and levels of tax evasion were as nothing compared to the open warfare between distillers and revenue officers in early-nineteenth century Ireland.⁸⁸

As is now clear, the three factors to be considered in understanding amounts of taxes collected – tax policy, taxable capacity, and the tax gap – form a triangular interrelationship. But if that makes distinguishing cause and effect somewhat artificial, a summary narrative of the impact of the Union on central government taxation in Scotland can be suggested.

Although the Union negotiators recognized that Scotland was significantly poorer than England, requiring transitional arrangements before Scotland was expected to bear the same taxes as England and Wales, it is likely that, despite Scotland's commercial and industrial and urban development in the period, the productivity gap between the two societies remained significant in 1815.⁸⁹ This was linked to the fact that the Union came after decades of stagnant tax receipts in Scotland. Consequently, the early years of the Union saw fairly modest amounts of taxes collected in the face of widespread distrust of the new fiscal regime, including some within propertied society. In these circumstances revenue

⁸⁶ The best study of smuggling in Scotland in this period is L. M. Cullen, 'Smuggling in the north channel in the eighteenth century', *Scottish Economic and Social History* 7 (1987), 9-26.

⁸⁷ T. M. Devine, 'The rise and fall of illicit whisky-making in northern Scotland, c. 1780-1840', *Scottish Historical Review* 54 (1975), 155-77; Dietz, 'The politics of whisky'.

⁸⁸ Edward Chichester, *Oppressions and Cruelties of Irish Revenue Officers* (London, 1818); answered in Aeneas Coffey, *Observations on the Rev. Edward Chichester's Pamphlet, Entitled Oppressions and Cruelties of Irish Revenue Officers* (London, 1818).

⁸⁹ This contrasts with positive assessments of the state of the Scottish economy before the Union, as in Goodare, *State and society*, 321.

officers struggled to make much headway, encouraging notable levels of shirking and fraud. The '45 considerably incentivised London to begin tackle this, admittedly patchy, administrative ennui. It was in this climate that Lord Chancellor Hardwicke complained in 1752 of 'the insufficient manner in which the taxes had been collected in that northern quarter of the kingdom: some method should be taken to make Scotland pay her taxes; but could any ministry ever hit upon that method?'⁹⁰

Certainly methods did change, but then so too did circumstances. The very marked rise of tax receipts from the 1780s was due in part to the growth of Lowland towns, industry, trade, and wages, in part to the expansion of taxable goods, and in part to greater administrative efficiency, including significant undercutting of smuggling and fraud through redeeming privileges, duty reductions, and duty consolidation. Administrative changes were usually British-wide, but there were also changes specific to Scotland. In the 1780s Scottish landowners, industrialists, and merchants began successfully to challenge some of the idiosyncrasies of the British fiscal state as they affected Scotland – custom house fees, the treatment of firths as open or coastal waters, the exclusion of English rock salt, taxes on coastwise coal, and stamp duties – bespeaking a more collaborative relationship between key taxpayers and central government, aided by the position and power of Henry Dundas. Amounts of taxes collected rose very sharply in the Revolutionary and Napoleonic wars.

What, finally, are the implications of these findings for our understanding of the Union state, recognising of course that Scotland made much more than a financial contribution to it. In the first place, it is clear that regarding taxation the principles of equality and equity employed in the Union treaty were difficult to reconcile, indeed encouraged rival views of what should drive tax policy. In practice, the political give and take led to significantly lower rates on some taxes in Scotland, the use of Scottish tax pounds to fund aspects of civil, judicial, and ecclesiastical government in Edinburgh, to invest in key parts of Scotland's economy, and for many decades to remit trivial amounts of money to London. Many in Scotland disliked the post-Union tax state, but the flexibility with which it was applied

⁹⁰ John Brooke (ed.), Horace Walpole, *Memoirs of King George II*, 3 vols. (New Haven, CT, 1985), i, 184.

speaks of ministers and officials in London having some sense of the limits of the achievable and to an acceptance of the need to give as well as to take.

Secondly, different perceptions were generated of the extent to which Scotland was contributing its fair share of taxes towards the British state: English opinion tended to be critical of Scotland in this regard, while Scottish opinion tended, at least from the 1770s, to argue that as much was being done as was possible, culminating in Sinclair's history of the public revenue. This was exacerbated by the difficulties contemporaries had of being well-informed on the subject, both in terms of the relative tax take and Scotland's taxable capacity. Developments in statistical thinking from the end of the eighteenth century, including the introduction of the census in 1801, helped a little, but only a little. Crucially, while Scotland's economy was widely recognized as being less productive than England's, the gap seems often to have been under-estimated. All of this fed into developments in Scotland of analyses of taxation that were markedly more sustained and imaginative than those in England at the time, including by Carlyle, Kames, Smith, Anderson, and Hamilton.⁹¹ Historians have paid too little attention to this, and rather too much attention to the question of public debts.⁹²

This article, thirdly, has supported Whatley's conclusion that 'It took decades to implement the Union of 1707 – a process that was profoundly destabilizing', but has suggested that the process took even longer than is usually thought.⁹³ Though the Union brought more taxes (in number and rate) it was only much later that rising receipts became clearly evident. Even in 1815, however, because it was a less prosperous society the willingness to pay taxes was probably somewhat weaker in Scotland than in England, a feature to be set alongside the continued use of Scottish weights and measures at the time,

⁹¹ Carlyle, *Essay*; Kames, *Sketches*; Smith, *Wealth of Nations*; Anderson, *Observations*; [Andrew Hamilton], *An Enquiry Into the Principles of Taxation* (1790).

⁹² Istvan Hont, *The Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge, MA, 2005), ch. 4; Shane William Horwell, 'Taxation in British Political and Economic Thought, 1733-1816', unpublished Ph.D. thesis (UCL, 2018).

⁹³ *The Scots and the Union*, 414.

again in the face of the agreement of 1707.⁹⁴ Yet that said, Scotland was integrated into the British fiscal state in a way in which colonial North America never was (Ireland is a different case which I hope to address elsewhere). Tax collection in Scotland between 1707 and 1776, limited though it was in certain regards, was very much greater than that in the Thirteen Colonies.⁹⁵ The battles in Scotland over the malt tax in 1713 and 1725 or the Porteous riot of 1736 were as nothing compared to the revolts across the Atlantic over the Stamp Act and Townshend Duties in the 1760s. The absence of tax riots in Scotland after 1780, when amounts collected rose sharply, speaks of acceptance of the British fiscal state if, as in England, reluctantly. France failed to meet a similar challenge, while in 1791 the major ‘Whiskey Rebellion’ in the USA was part of a wider and strongly held antipathy to internal federal taxes.

Fourthly, the impact of taxation on Scotland in this period can be considered in terms of its distribution effects, both social and territorial. As is well known, until the introduction of the income tax in 1799 the British tax system was highly regressive, falling proportionally more heavily on the poorer in society. This was even more marked in the Scottish case because the Union enshrined the land tax at a paltry level while the expansion of taxes on signs of wealth from the middle of the century was pretty unproductive. But of course, the relatively small amounts of taxes collected before the 1780s suggests that many within society were little affected until then, materially if not politically and psychologically. Distinguishing between perception and reality was also an important feature of the geographical flow of taxes. In 1703 Andrew Fletcher criticised London’s ability to draw ‘the riches and government of the three kingdoms to the south-east corner of this island’, a view Hume later gave qualified support to.⁹⁶ But between 1707 and 1752, when Hume wrote on the matter, an annual average of under £6,300 taxes had been sent from Scotland to England.⁹⁷ As has been shown, only later did remittances become significant. Even then

⁹⁴ Julian Hoppit, ‘Reforming Britain’s weights and measures, 1660-1824’, *English Historical Review* 108 (1993), 82-104.

⁹⁵ Alvin Rabushka, *Taxation in Colonial America* (Princeton, NJ, 2008), 796.

⁹⁶ John Robertson (ed.), Andrew Fletcher, *Political Works* (Cambridge, 1997), 213; Eugene F. Miller (ed.), David Hume, *Essays Moral, Political, and Literary* (Indianapolis, 1987), 354.

⁹⁷ BL MS Add. 38203.

there was considerable spending by central government in London on Scotland, on ‘troops, garrisons, fortifications, Chelsea and Greenwich pensions, officers’ widows, half-pay’ and military roads, leading Mure to conclude in 1773 that net financial flows from Scotland were minimal.⁹⁸ Only later did that change significantly and, though great strides were then made by 1815, taxpayers in England remained clearly more important to the Treasury than those in Scotland. In terms of taxation the Union state still experienced considerable territorial differences, including between different parts of Scotland.

Finally, the experience of the 1707 Union informed the debates over the Union of Britain and Ireland at the end of the eighteenth century. Ministers – Castlereagh, Pitt, Dundas, and Auckland in particular – aimed to avoid the uncertainties that, to their mind, had beset Anglo-Scottish fiscal relations under the Union.⁹⁹ In 1801 Ireland was formally required to provide two-seventeenths (12 per cent) of imperial revenues, retaining a separate fiscal administration to meet this obligation – Scotland now looked to be much less onerously treated as a consequence. This quickly proved to be well beyond its taxable capacity, a position made worse by rapidly escalating costs after war broke out again in 1803. Mounting public debts in Ireland made the system unsustainable after a little more than a decade. Although in 1817 the system introduced in 1801 was dismantled, the damage had been done: there was a strong and general opinion in Ireland right down to 1914 that it was heavily over-taxed.¹⁰⁰ Scottish opposition to the British fiscal state in the eighteenth century was much more muted in comparison.

Against the usual view, this article has shown that taxes collected did not rise sharply immediately after the Union; rapid growth came only from the period of the American Revolution. Those patterns partly reflected the state of the economy, partly tax policy, partly the difficulties of collecting taxes. In this central government in London was

⁹⁸ [Mure], *Caldwell papers*, iii, 229.

⁹⁹ Alexander Murdoch, ‘Henry Dundas, Scotland and the Union with Ireland, 1792-1801’, in Bob Harris (ed.), *Scotland in the Age of the French Revolution* (Edinburgh, 2005), 125-39.

¹⁰⁰ Thomas Kennedy, *A History of the Irish Protest against Over-Taxation, from 1853 to 1897* (Dublin, 1897); Pauric Travers, ‘The financial relations question, 1800-1914’, in F. B. Smith (ed.), *Ireland, England, and Australia: Essays in Honour of Oliver MacDonagh* (Sydney and Cork, 1990), 41-69.

sometimes more sensitive to Scotland's circumstances than has been allowed. Lower tax rates on a range of goods were in place through much of the period, while some bounties were introduced to encourage the exploitation of Scotland's natural economic advantages. Yet from the middle of the eighteenth century, as civil infrastructural spending in Scotland mounted, London began to become less tolerant of the tax gap in Scotland and took significant steps to close it. This was taken further with the rise of new economic interest groups in Scotland in the last quarter of the eighteenth century who pointed out to London some under-appreciated limitations of Scotland's tax capacity and the Anglo-centric presumptions of some revenue regulations. Yet despite this and the early industrial revolution in Scotland, in 1815 the absolute ratio of taxes collected in Scotland compared to England and Wales was, at 1:14, still well short of the level achieved in the middle of the seventeenth century. Fundamentally, despite industrialisation and urbanisation, economic life in Scotland continued, on balance, to operate less efficiently in crude material terms than in England as late as 1815. The per capita tax take in Scotland then was about a half that of England and Wales. Yet the gap continued to close, such that by 1861 per capita levels in Scotland surpassed those of England and Wales.¹⁰¹ That was achieved in a very different environment towards central government spending and indirect taxes, while, against his predecessors, Gladstone drove forward the rigorous harmonization of tax policy across the four nations that was to cost Scotland and Ireland dearly.

¹⁰¹ J. Morrison Davidson, *Scotia Rediviva: Home Rule for Scotland* (London, [1904]), 45-6.