

William Pitt the
younger deal with the
problems of finance
and administration
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Pitt became PM in 1783, inheriting a country, which had just been defeated in a long and costly war, bringing the country to verge of bankruptcy and throwing its political life into disarray. By 1793 the country was in stable financial footing and a sound administration. Yet by the 1820's, some of Pitt's financial policies such as the much talked about "sinking fund" were abandoned. So, was the improvement in post war (1783) Britain down to Pitt's reforms or was it down to the natural progression of an advanced industrial nation no longer burdened by war.

When Pitt was appointed PM, the country was in a financial and political mess. The patronage system resulted in government offices being in disorder, unbalanced and therefore highly inefficient. Sinecures were often given unnecessary post, resulting in resources not being employed efficiently. Such disorganization in administration could arguably have taken blame for Britain's poor finances. The country had debt of c. 213 million, with little prospect of reduction, as the annual budget was in deficit of c. 10.8 million. The debt accumulated as a result of many years of war, which had also had the effect of isolating the country and therefore limiting trade.

Pitt knew when he gained office that a successful government was impossible without sound finance. His initial priority was to raise revenue. He hoped to achieve this by making smuggling seem unattractive in the hope of raising revenue. He did this by taking the bold step of drastically reducing duty (The Commutation Act 1784) on many products such as tea. (from 119% to 25%.) This resulted in a huge reduction in smuggling as the reward for the smuggler meant that it was no longer worth taking the risk. In 1792 Pitt presented his last peacetime budget and could claim that he had managed

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to increase revenue by 1 million per annum, from the reduction in smuggling, 1 million from new taxes and 2 million by additional consumption.

Pitt immediately identified the national debt as a problem. The interest burden alone was a huge drain on resources. Interest rates were very high as the perception of the country's economic strength was not good. There was a huge problem of unfunded debt and a "sinking fund" was organised in 1786 as a way of paying off debts. Its mission was to take in part of the annual government sum so debt could be gradually paid off. The problem with this system was that it completely depended on a regular budget surplus, which was more easily achieved but more difficult to obtain during war. Nevertheless, the reduction in debt became central to Pitt's economic policy.

Apart from the sinking funds Pitt put in place many other measures to reduce the budget deficit and subsequently decrease debt. Amongst these measures were the reorganisation of governmental departments, he reduced the strength of the patronage system and kept a record of unnecessary offices and as their holder died he refrained from appointing successors. Basically Pitt attempted to make the structure of government offices more efficient. Many historians have argued that Pitt was too slow and cautious and that the country could have advanced more quickly had he been more radical. But on the other hand it could be argued that Pitt's cautiousness was due to the fact that he did not want to make any enemies. Whether this was due to personal ambition of remaining in office, or it was simply that he did not want opposition that would prevent reform.

Another measure which Pitt undertook and perhaps the most important, given that it was probably the single largest expense, was a reduction of the Armed forces which was scaled back after the end of the war. This action was a large contributory factor in the budget improvement. Naturally, whilst it was Pitt's decision to do so, any pM in peacetime would have done the same.

There is little doubt that Britain's economy and administration had vastly improved by the outbreak of the Revolutionary war of 1793. However, the government during that period benefited from having the most industrially advanced country, which could trade without the burden and cost of war. Many of the ideas that Pitt had implemented had been adopted by his predecessors. In many cases Pitt had preferred to adapt other people's procedures and make them his own. The initiative to take them was Pitt's attribute but as similarly as he had first managed to get into parliament (patronage and good family name) it is possible people could again argue about his luck. His financial and administrative reforms might be questioned. Though his measures did restore financial confidence it did not by 1793 permanently reduce debt. The latter being due to the increase in expenditure resulting from the war with France. Pitt did not suspend the sinking fund, which was only workable with a budget surplus.

In conclusion it may be said that Pitt, unlike his predecessors, was fortunate to govern a country not at war and that many of the reforms were not originally his. However, it is without argument that debt had been reduced, budget surplus created and administration had become more efficient. Whilst

we believe he had some fortunate he still had the vision to implement these reforms, albeit in some cases slowly.