



Historical Note: The History of Taxation is Written in Letters of Blood and Fire

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Abstract

Tax, war, democracy and rebellion intertwine down the ages. In this paper I introduce readers to the reasons why tax history is important and the concepts underpinning later articles. The four tax history articles that will be published in total over the next four issues (from September 2016 to June 2017) will look at history from the Magna Carta to Australia today through the prism of tax. A key theme is the role ordinary working people (peasants, artisans, workers for example) play in protests against oppressive taxes and how that anger can spark rebellions and revolutions. These rebellions and revolutions often have democracy as their main demand.

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The following article is the first of four in a series over the next issues of the Australasian Accounting Business and Finance Journal on the history of taxation, stretching from the Magna Carta to present day Australia.

War, democracy and revolution are key themes in the history of taxation. In turn taxation is often a key theme in war, democracy and revolution. Tax is both a cause and consequence of revolution and in the case of income tax, a consequence of capitalist development and expansion and the wars that go hand in hand with that development and expansion. There is an intertwining of tax, war, democracy and revolution that confirms Schumpeter's argument, (Schumpeter 1991) borrowing the language of Goldscheid, for a new school of study, fiscal sociology. As Schumpeter (1991, p.100) says there is both 'a causal importance of fiscal policy (insofar as fiscal events are an important element in the causation of all change) and of the symptomatic significance (in so far as everything that happens has its fiscal reflection).' He sees the symptomatic significance of fiscal history as even more important than its causal significance because tax is 'the thunder of world history.' (Schumpeter 1991, p.101). For Schumpeter, the history of the last millennium is in major part a fiscal history of the replacement of demesne revenues (personal revenue rights of monarchs) by the tax state, driven mainly by the need for increased spending on war. (Braddick 1996).

However, what is missing in most analyses of this intertwining of tax, war, democracy and rebellion is the perspective of the ruled, the oppressed and exploited, the labouring classes. The poor and working masses are often mere footnotes in the history of taxation. Most commentators see or imagine the thunder coming from on high, i.e. from or within the ruling class. What this mainly Anglo-centric overview of key taxation events aims to do, with a detour via France in 1789, is to refocus our vision so that we see that tax can be a spark for the fire from below. This is the bushfire (in Australian terminology), the fire that races across the terrain destroying all before it, and in doing that, allows and creates the conditions for both new growth and re-growth. This article then is about the tax spark and the bushfire, covering the Magna Carta, the Peasants' Revolt of 1381, and the English Civil War. The second article will examine the French and American Revolutions, the Napoleonic wars, the temporary income tax and its march to permanence, all against a background of, the agitation of, or in some cases, the rising up of, the exploited classes as they enter on to the stage of history. The third article looks at the pre-history of income tax in Australia (from 1788 to the 1890s) and the fourth the history of income tax from the rise of the Australia Labor Party to tax and tax reform in Australia today

What is striking in the struggles over tax we will look at is that they have been, at their heart, battles about democracy, or depending on the societal and historical context, democracy for a minority, albeit often a powerful minority, a battle for a say among the exploiters, the ruling class of hostile brothers (Marx 1974; Moseley 2002) challenging their brothers and sisters in the ruling status quo and the particular governing body.

The big struggles over tax have often been about the desire to have a say in what an autocratic ruler or government does in both its extraction of money from the various classes and its spending of that money. In earlier times, sections of the ruling elite demanded a voice, with, in times of acute crisis, the common people joining the battle. Often the lower classes have been encouraged to do so by some of the hostile brothers to help them in their struggles against other members of the ruling class. The hostile brothers can indeed be very hostile not only to the exploited classes but also to other sections of their own class as they battle among themselves for political or economic supremacy, or both.

In other words tax battles are often about democracy and representation. Seligman (1931, p. 78) highlights this when he says:

It is well known that liberty has been intimately bound up with the contest against unjust taxation; the constitutional history of England is to a large extent a history of the struggle of the people to gain control of the treasury; the American revolution was precipitated by a question of taxation; the French revolution was bought about primarily by the fiscal abuses of the *ancien régime*.

The insights of Schumpeter and Seligman need to be seen in a class context. Tax battles are not just about democracy and representation. They are the struggles of particular classes for democracy and representation. More than that, these battles for a voice are often sparked by tax, the immediate extraction of money or goods or even free labour from the various classes that can spark revolutions and at the same time be seen as one avenue for progressive change. Tax, war, democracy are all reflections of the battle over surplus labour and who gets what share of that surplus labour - the same sections of the ruling class or hostile brothers, different sections of the hostile brothers, a complete new band of hostile brothers, or the oppressed and exploited.

What is missing from the analyses of the likes of Schumpeter and Seligman is class analysis from the perspective of the forgotten; for example, what and whose liberty are we talking about? Why and in what ways was the taxation unjust? Whose thunder? Whose history? Whose taxation? Who was literally fighting for democracy and against the rulers and their class based taxes? While the analysis of the likes of Schumpeter and Seligman do position such revolts in the context of the particular class societies they arose in, they don't view the particular class pressures and struggles occurring from the point of view of the oppressed and exploited. They certainly don't view history as the battle of classes. To continue with Marx and Engels and the idea of [written] history as the history of class struggle, what we need to do, by necessity only briefly in this paper, is to look at tax and history not just in the context of opposing classes (and of course in the context too of battles within the ruling class or band of hostile brothers) but in the context of the battle between the contending classes. I can do no better than quote Marx and Engels (2008, p.1) on this:

Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, [stand] in constant opposition to one another, [carry] on an uninterrupted, now hidden, now open fight, a fight that each time [ends], either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes.

In saying that the history of all hitherto existing society is the history of class struggle we should also heed Marx's warning that this is not in fact always between opposing classes but are often between particular sections of society. As we shall see, the combatants in these battles over tax often start off as sections of the elite themselves wanting to rein in the taxing power of the sovereign and to ensure there is some common consent (narrowly understood to be consent among the ruling class) to taxation. In rebutting historical continuity between figures from different periods of human development, for example Caesar and Bonaparte in the form of Caesarism and Bonapartism, Marx (1978) says: 'People forget Sismondi's significant saying: "The Roman proletariat lived at the expense of society, while modern society lives at the expense of the proletariat.'" With so complete a difference between the material, economic conditions of the ancient and the modern class struggles, the political figures produced by them can likewise have no more in common with one another than the Archbishop of Canterbury has with the High Priest Samuel.'

The danger to all of the ruling class is that in mobilising the common people to fight on one or other side of the battles between them as hostile brothers, the oppressed and exploited may themselves mobilise around their own issues, often cloaked in the language of liberation that one section of the emerging or existing ruling class uses. For example, as the first signs of capitalism developed in the interstices of the feudal system, the common people entered more and more onto the stage of history, not as adjuncts to the elite and their pursuits of limited democracy and limited representation, but as the bearers of ideas for new societies based on equality and common ownership. However, as we shall see, in the first paper, in September, in the Peasants' Revolt of 1381 and the English Civil War of 1640 to 1649, and in the next Journal issue in December in the second paper, in the case of the American and French Revolutions, the depth of representation the oppressed and exploited classes demand challenges the rule of the oppressors. These visions of democracy frighten and threaten the ruling classes who then incorporate the oppressed and exploited within the current social structures through some apparent concessions or through brutal repression.

War too plays its part in all of our examples of tax and rebellion. The brutal conflicts between various states and regimes in feudal and capitalist society appear a constant backdrop to rebellion and revolution. War seems an inevitable consequence of class society. It is a continuation of the class struggle on a state or national level, a fight by particular exploiters on one geographic area for dominance over other similar elites in other areas and hence about winning a greater share of surplus labour by expanding jurisdiction at the expense of other regimes. Funding actual wars requires extra revenue, often through a state or regime imposing taxes on sections of society with power, or more widely, on those exploited and oppressed without power. As Le Goff (1999)

points out, it also means not just funding war expenditure but the government debt that wars inevitably give rise to. However this funding has consequences. As Trotsky (Trotsky 1917) so eloquently put it in early 1917 in New York before he made it back to Russia:

In all the belligerent countries the lack of bread is the most immediate, the most acute reason for dissatisfaction and indignation among the masses. All the insanity of the war is revealed to them from this angle: it is impossible to produce necessities of life because one has to produce instruments of death.

Funding the production of those instruments of death almost invariably requires states or regimes to tax their populations. That can take various forms, including alienating other sections of the hostile brothers by taxing them heavily, or taxing the exploited and oppressed and hence reducing their share of necessary labour and making basic living and survival even more difficult. The more tax, the less bread.

This article is a brief outline or first sketch of a people's history of taxation, drawing on tax, war, and the growing role of the common people in historic events. Over the four articles to come in the next four issues I look at the often undocumented role of the unfree, the oppressed and exploited, in rebellions from the Magna Carta, the Peasants' Revolt of 1381, the English Civil War, the American Revolution and the French Revolution. From there our journey sees us briefly visit the Napoleonic Wars and the drivers for income tax in the United Kingdom and the factors embedding it permanently in the English tax system, including the Chartist movement. That gives us the basis for researching our own country's more recent tax history and to that end my third article in this series will look at the pre-history of income tax in Australia from 1788 to the 1880s and 1890s when the colonies began introducing income taxes. The final article will examine key events in Australian capitalism and their direct and indirect income tax impacts and consequences. These developments are the rise of the Labor Party in the 1890s, Federation in 1901, World War I, the Depression, World War II and the ear of neoliberalism and economic crisis after the long boom ended in Australia in about 1974.

My aim is to reintroduce class and class struggles into the discussions and debates about tax and history. As I have already pointed out it was Marx and Engels (Marx and Engels 2008) who famously declared 'the history of all hitherto existing society is the history of class struggles.' In a nutshell, the big tax struggles of the past and the present and those political and social revolutions sparked by tax are part of the ongoing battles between oppressed and oppressor, between exploiter and exploited, a battle for the social surplus which, under capitalism, is a battle over surplus value and its market reflection in wages, profits, interest, dividends and taxes and state expenditure. In capitalist society tax is a deduction from surplus value. (Passant 2015). These battles over a share of the surplus can be battles between the hostile brothers over their particular share the exploited create, or it can be a battle by the exploited for a greater share of the social surplus, or a combination of both.

When the exploited rise up against tax impositions it is because those taxes cut their ability to provide for their basics. In Marxist terms under capitalism taxes on workers reduce the effective price of the labour power workers have to sell to survive. The added point under capitalism is

that some state expenditure is returned to workers in the form of a social wage and that includes health services, education, public transport and direct welfare payments they receive. Together with their actual wage this is the price of their labour power as part of the self-sustaining process for workers to return to work the next day and have adequate education, and so on, to be exploited.

In the past tax, and tax inspired rebellions, have been very bloody. To misquote Marx, (1977, p.669) the history of taxation then is, 'written in the annals of mankind in letters of blood and fire.' He was referring in fact referring to capitalism. Marx (1977, p. 712) later on says that '...capital comes dripping from head to foot, from every pore, with blood and dirt.' So too in my view does income tax, and the demands for tax justice and equity. It is the blood and fire of ordinary people – of the likes of slaves, peasants, and workers - that I particularly want to highlight. This is my contribution to tax history from below. As Brian Manning (1999, p.1) put it when discussing the English Revolution but with an approach we can generalise to all rebellions or revolutions:

At the time of the English Revolution it was common to make a tripartite division of society into the gentry, 'the middling sort' and 'the poor'. The first and second of these categories have occupied the attention of historians – the first much more than the second – in assessing the causes and course of the revolution, but the third has been largely neglected.

Like Manning, (1999), I too want 'to make a preliminary attempt to remedy this omission' but from the point of view of tax and history and the role of the forgotten people and the classes they come from, basically peasants and workers.

The aim in these papers then is to introduce readers to the open battle of the oppressed against the oppressor in the fights over or caused in part by tax. This paper is a sketch, an introduction to a potted people's history of taxation, a potted history in which I want to draw out a simple message – tax, democracy and rebellion are intertwined, often walking hand in hand with war, failed war, and colonial expansion. This is the first step to help me put the people back into the history of taxation and on to the stage of history. My hope is that it inspires other scholars to do the same.

Before we begin our journey two further explanations are necessary. First, there are revolutions and there are revolutions. In fact there are political revolutions and social revolutions, and shades in between. What's the difference?

As Neil Davidson (2015) puts it:

Political revolutions take place within a socioeconomic structure. They are struggles for control of the state, involving factions of the existing ruling class, which leave fundamental social and economic structures intact.

This means that political revolutions can be fights among sections of the ruling class, with their own specific interests, or involve the oppressed and exploited who may win reforms and better

conditions of existence, sometimes under the urging and very watchful eye and control of sections of the elite in their battle with other sections of the ruling class, but win those benefits without threatening the social order. Such political revolutions can and often do replace particular individuals in key positions in the ruling class, and sometimes even establish new institutions of governance. They do not however challenge the existence of the ruling class itself nor the system producing that ruling class.

On the other hand, social revolutions, according to Davidson (2015):

... are not merely struggles for control of the state, but struggles to transform it, either in response to changes that have already taken place in the mode of production (the early bourgeois revolutions), or in order to bring such changes about (the late bourgeois revolutions and the socialist revolution): they involve a change from one socioeconomic structure to another.

The move from slavery to feudalism, from feudalism to capitalism and from capitalism to socialism are examples of social revolutions. As the English Civil War and the French, American and Russian revolutions show, such social revolutions require a movement from below, the exploited classes entering on to the stage of history to challenge the old ways of doing things. So too, often, do political revolutions, as the Magna Carta and the Peasant's Revolt show. Indeed arguably it is the masses making demands on the state that resulted in making income tax a permanent fixture of capitalism in Great Britain, together with the cost pressures of war. The demands for equity and freedom, of which, for example 'no taxation without representation' and 'taxing the rich' form part, express the political revolution society is or was undergoing.

Further, we need to be careful not to draw iron curtains around political and social revolutions. Political revolutions can become social revolutions. Only nine months separated the fall of the Czar in Russia in February 1917 and the working class October Revolution. Trotsky's theory of permanent revolution (Trotsky 1969) explains how a working class revolution could occur in a country with a massive peasantry and how, without working class revolutions in capitalist heartlands, it could not survive.

The demands for democracy and economic equality by the left and especially far left sections of the exploited classes in for example but not limited to the English Civil War, the French Revolution and the American Revolution pre-figured later socialist demands. However, and this is the second point of explanation necessary in this context, we need to be careful in any examination of the past not to read back into that study our own historical context and predilections. Feudalism is not capitalism, and a working class, along with other groups in transition, developing in the interstices of feudal society is not a working class able to win socialism, unlike today's working class or perhaps the working class in the 1830s and 1840s in England and the 1870s in France.

Having said that, the exploited classes and a nascent ruling class for example trying to break free from feudal strangulation will appropriate the struggles of the past to express their own interests

in the struggles. In the hands of the exploited classes the slogans of the past can be progressive both in the sense of moving from an historically outdated system, feudalism to capitalism, and in making demands on the state or the economic exploiters for a better life. In the hands of the developing bourgeoisie these demands of the past can be historically progressive in the sense of hastening the move from one mode of production to another, for example from feudalism to capitalism. Yet, as Howard Zinn (2003, p.58) points out in his magisterial discussion of the American Revolution, the ruling group can find them ‘a wonderfully useful device’ in addition to material advantage to win the loyalty of sections of the exploited and oppressed. As he (Zinn 2003, p.58) says: ‘That device [is] the language of liberty and equality...’ As Zinn goes on to say, (Zinn 2003, p. 58) in the case of the American Revolution the ruling group used this device to ‘...unite just enough whites to fight a Revolution against England, without ending either slavery or inequality.’

With these various introductions, caveats, warnings and hopes in mind let’s begin our journey by looking in the next issue at the Magna Carta, the Peasants’ Revolt of 1381 and the English Revolution of 1640 to 1649, peering through the windows into tax and the role of ordinary people in each case.

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