THE RELATIONS BETWEEN THE BRITISH TREASURY AND THE DEPARTMENTS OF THE CENTRAL GOVERNMENT IN THE NINETEENTH CENTURY

by

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B.A., University of Cambridge, 1967

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS

in the Department of HISTORY

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THE UNIVERSITY OF BRITISH COLUMBIA

December, 1968
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Date May 13, 1969
ABSTRACT

The object of the thesis is to look at some of the main factors governing the relations between the Treasury and the Departments of the central Government in the nineteenth century. It seeks to show how nineteenth century Treasury control, in both financial and Civil Service affairs, was the product of a unique period in the development of British administration. This period lies between the reforms of the administration at the end of the eighteenth century, which ended the surviving obsolete practices and political patronage, and the changes of the late nineteenth century which saw a new appreciation of the potential of administration and a weakening of the hold of the idea of public economy.

The introductory chapter shows how the control of administration by a single Department was made possible by the gradual disappearance of political patronage and medieval administrative practices, which dates from the 1780's. Though the Treasury had long been the most important of the Departments, and though the legal powers it exercised dated back to the 1660's, it was only the reforms of the late eighteenth century which created an administration amenable to control, and deprived the Treasury of its political rôle. The work of the various Treasury officers was changing well into the nineteenth century, which emphasizes this late development of the Department's effective administrative powers. The Treasury's control of the Revenue Departments reflects its long existent legal powers to supervise the money
voted to the Crown. They were absolute and well defined by the eighteenth century, and thus did not influence the Treasury's relations with other central Government Departments in the nineteenth century.

The second chapter discusses the Treasury's rôle in curtailing public expenditure, which was the basis of all its activities in the nineteenth century. It seeks to show that, because public economy was an integral part of current thinking on economics and on government, the Treasury was in a position of great prestige. The remarks of Chancellors of the Exchequer and Treasury civil servants emphasize this point, and show how the Treasury was a Department with a high sense of responsibility. The chapter points out the various weaknesses of the Treasury in this field, and shows how in matters of high policy the relative political prestige of the Chancellor of the Exchequer and the departmental ministers was very important. In small matters however the Treasury was able to exercise something approaching autocratic authority. The Treasury felt it was not its business to interfere in departmental policy, but various examples show how the mere curtailing of expenditure could constitute interference. In conclusion the chapter looks at the way in which expenditure did in fact rise in the nineteenth century, despite the emphasis on economy. This indicates the Treasury was not able effectively to curtail the expenditure increases on commitments once they had been entered into, and that it became weaker towards the end of the century as the idea of retrenchment came to have less force.

The third chapter discusses the reforms of routine financial administration, which at the end of the eighteenth century were
instituted partly as a result of attempts to reduce the power of the Crown, and in the period from the 1830's to 1860's largely to establish the constitutional principle of the Parliamentary control over grants. These reforms, which culminated in the Exchequer and Audit Act of 1866, radically changed the way in which money was supervised once it had been granted by Parliament to the Crown. At one and the same time they created a system which was far more open to control from the centre, and one which required the enforcement of a large number of regulations. The reforms increased the duties of the Treasury, and greatly enhanced its effective power, although they were not introduced with that object in mind.

The fourth chapter looks at the Treasury's control of the Civil Service, and shows how in personnel affairs the Department took an excessively financial approach. In supervising establishments and the growth of Government Departments it failed to look objectively at the problems involved, or to take up the initiatives which this period of unprecedented administrative expansion offered.

The fifth chapter looks at the co-ordination of decisions involving several Departments, which constituted a more routine aspect of the Treasury's work. A study is made of the Zanzibar mail contract affair of 1873, and the way in which it demonstrates the confusion over how the Treasury might best co-ordinate inter-departmental decisions. In this instance the Treasury, under Robert Lowe, failed to take account of the knowledge available in some sections of the Government, with the result that important decisions had to be reversed. From this the conclusion is drawn that this side of
the Treasury's work as the central Department was best conducted by closely following an efficient procedure rather than by exercising initiative.
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CHAPTER I

Introduction

The great power that the Treasury wields within the British central government has led to expressions both of admiration and of disapproval. But nobody has sought to deny the uniqueness of the Department's position. The Treasury was the first of the civil Departments to assume something approaching its modern form, although it has been in a state of continuous growth and adaptation ever since. It is unique in that it has two chiefs, the First Lord of the Treasury and the Chancellor of the Exchequer. As the Ministry of Finance it has special interests throughout the whole field of government, and special responsibilities in the way that Parliament votes money and the Crown spends it. Its powers come from the authority the Crown confers on the Lord High Treasurer, or the Lords Commissioners of the Treasury if these powers are vested in a commission, and it receives the support of the interest and prestige of Parliament. The activities of the Treasury differ radically from those of the other Departments, in that they are confined for the most part to treating with these Departments, or with the House of Commons, and not with the public. As a result politicians, civil servants, and outside commentators have unanimously described it as a supervisory rather than an administrative office. It is in the basis and the exercise of these supervisory powers that the interest of the Treasury in the nineteenth century chiefly lies.
The Treasury's activities at the centre of government in the nineteenth century throw great light on the thinking about public affairs at that time, and on the way in which administration had changed from preceding ages. Moreover, because finance is necessarily a central aspect of any government's work, the activities of the Treasury illumine on the whole process of administration in a way that no other Department could. The expansion of government in the nineteenth century has been the object of much inquiry, but relatively little attention has been paid to the older Departments, although their work changed radically during the period and they tell us much about contemporary administration and how it developed. The philosophy of retrenchment and of limited government lay at the basis of the thinking of most of the great figures in nineteenth century British public affairs. This philosophy was also basic to the work of the Treasury, and to the growth and enforcement of the concept of Treasury control. The application of Treasury control therefore must be of central concern to the historian of nineteenth century administration.

The work of the Treasury in the nineteenth century does not merely illumine on the process of administration at that time, and on the thinking which lay behind it. It shows how both the administration and the thinking differed radically from what had preceded it and what was to come afterwards. Financial responsibility of some sort may have been essential even in the most inefficient and corrupt of governments, but Treasury control proper was essentially a product of the reformed administration which came into being by the early nineteenth century. Likewise
the philosophy of retrenchment, of which Gladstone is the most conspicuous but not of course the only exponent, proved by the start of the twentieth century to have lost much of its force. It gave way to thinking which tolerated greater expenditure and a more conscious expansion of government, and which therefore led to a reassessment of the principle by which the Treasury controlled finance.

The changes in the duties of the various officers of the Treasury serve as a good illustration of the development of the Department, at least as far as the early nineteenth century. Although the Treasury existed as an independent Department, and had most of its legal powers, by the late seventeenth century, the duties of its officers continued to change and did not assume their modern form until well after the Napoleonic wars. Yet it is only when these duties had finally assumed their modern form - when the Treasury had lost its work in dealing with patronage, was run by a single executive head rather than by a Board, and had a permanent and non-political staff - that it could effectively exercise what came to be called Treasury control. The changes in the duties of the Department's various officers reflect the changing position of the Treasury within the government, and underlines the fact that Treasury control depended on far more than the mere possession of legal powers.

By the middle of the seventeenth century the responsibility for government finances was concentrated in one office - that of Lord High Treasurer. Always a political figure of importance, the Lord High Treasurer was involved in the formulation of policy and in the persuading of Parliament to grant funds. He was also
responsible for the administrative duties involved in the raising and the issuing of revenue. He still did not have a staff of his own, and had to rely on the Exchequer office for clerical assistance when his personal servants proved insufficient. But the ancient Exchequer, the principal financial body in the Middle Ages, was losing any real independent stature. The Crown had brought it under effective control by the late sixteenth century, and thence it had fallen progressively under the wing of the Treasurer, so that it became largely an administrative body to deal with the revenue. The Order in Council, by which the Crown placed the post of Lord High Treasurer in commission in January 1667, clearly defined the Treasury's authority as extending over the whole range of finance. Stephen Baxter shows how the changes which took place in the second half of the seventeenth century allowed the Treasury to establish its own staff, which meant it did not have to rely on the Exchequer for clerical work. Thus it was able slowly to establish its independence from the Privy Council. He suggests that if it is possible to pinpoint one year, then the Treasury "reached maturity" in 1676. The position of its officers still remained unclear, and it still had not won the prestige it was to have later, but its official powers were by this time well defined.

The position of the Treasury in the eighteenth century depended as much on its political as on its administrative rôle. The Crown had put the Treasurer's position in commission on various occasions in the preceding hundred years, especially from the latter part on Charles II's reign onwards. This meant that the Lord High Treasurer assumed the title of First Lord of the
Treasury. By 1685 the head of the Treasury wielded greater influence than the Secretaries of State, but for a long time after this there was no clear idea of precedence at the meetings of the increasingly important inner Cabinet, which would allow one to say that the First Lord of the Treasury was also head of the ministry. The political position of the First Lord of the Treasury was in a state of flux, and so also was the administrative position of his Department. Even though between 1730 and 1742 Sir Robert Walpole showed the power that could accumulate to the First Lord of the Treasury, there were instances after this when this officer was not the Prime Minister. J.P. MacKintosh has suggested that one way in which a man could become Prime Minister was for his ability to be indispensable to the survival of the ministry. In this respect the First Lord of the Treasury had a clear advantage. He had complete control over finance, while before 1782 a Secretary of State would have to encroach on the work of his colleague to gain an equivalent control over foreign policy. He wielded very considerable patronage through his control of the Revenue Departments, and the power of the purse. And it was he who guided the major part of the government's work - money bills - through the House of Commons. The case of the Elder Pitt however shows that in time of war, at least until the middle of the century, a man other than the First Lord of the Treasury could feature as the most indispensable in the ministry.

As the Exchequer lost its independence, so its chief officer, the Chancellor of the Exchequer, came under the influence of the Lord High Treasurer. By the eighteenth century he regu-
larly sat on the Treasury Board as the Second Lord. From the time of Stanhope in 1717, until the resignation of Robert Peel in 1835, it was usual for the First Lord of the Treasury, if he was in the House of Commons, to hold this secondary post as well.\(^9\) This emphasizes of course that the real basis of the Prime Minister's power, until he came to be seen as an independent officer, and until patronage had disappeared, was financial.\(^{10}\) But it also meant that for a long while after the Treasury had become the most important Department in the government, the internal arrangements of the office were unsettled. The influence of the position of Chancellor of the Exchequer for a long time depended on the prestige of the First Lord. In the eighteenth century, unless the two posts were combined, the Chancellorship of the Exchequer was seldom a Cabinet post. In 1809 the Prime Minister and First Lord, Spencer Perceval, offered the Chancellorship to Palmerston, who was then only twenty-five years old and relatively unknown. In doing this Perceval indicated that he would do all the important work of the Treasury himself, but that he wanted somebody else as Chancellor to assist him in the more onerous tasks.

The Chancellor of the Exchequer only assumed responsibility for running the administrative affairs of the Department as the Treasury Board proved itself unable to cope with all the work. When the Board showed itself unable to manage the increasing number of problems which came before the Treasury, and as the Prime Minister assumed wider duties of co-ordination, so it also became impossible for the First Lord to run the Department of which he was the official head. In the eighteenth century
the Treasury Board used to meet about four times a week to conduct its business. It used to hear the papers prepared by the Secretaries, and instruct these officials to implement its decisions in the form of Treasury Minutes. The pressure of work during the Napoleonic Wars finally proved too much for a committee to deal with, and so more and more of the executive functions of necessity devolved upon the Chancellor of the Exchequer. By the end of the war there were only two meetings of the Board each week, and these largely formal. One of the Treasury Lords wrote in 1827 to William Huskisson, then President of the Board of Trade and Treasurer of the Navy, that the members of the Board were unable to have a real grasp of the background to the papers the Secretaries read to them, which rendered their decisions of questionable value. In this same year the First Lord and the Chancellor of the Exchequer - posts which were held separately after August when the Prime Minister was in the House of Lords, - ceased to attend the meetings of the Board. In 1856 the Government of Lord Palmerston discontinued the meetings altogether. It is quite clear that by the late 1830's the Chancellor of the Exchequer was not only invariably a different man from the Prime Minister, but was also the real executive head of the Treasury. Although it was not until 1855 that he regularly sat in the Treasury building, rather than in his official residence, in 1848 both Sir Charles Trevelyan, then head of the permanent staff of the Treasury, and Sir Francis Baring, a former Chancellor of the Exchequer, confirmed that the Chancellor was the real head of the Department.

The position of the Secretaries to the Treasury took al-
most as long as that of the Chancellor of the Exchequer to achieve their final status. The division of duties, and the distinction between a permanent and a political Secretary, are a consequence of the work that the Treasury was doing by the end of the eighteenth century. The Treasury Secretaries, of whom there were two in the eighteenth century, were appointed by the Board, and therefore were not legally offices of profit under the Crown in the terms of the Act of 1707. They were always men with political backing of some importance, and always sat in Parliament. They acted as secretaries for the Board, preparing the papers to be read to it at its regular meetings. At first only one of them, but later in the century both customarily re-signed with each ministry. They performed important duties for the Crown as well as doing their administrative work, which meant that, like the old Secretaries of State, there was no distinction between them on functional lines. By the end of the century this had led to considerable inefficiencies, and the Commission on Fees and Emoluments of 1786 recommended that one of them become "stationary" to provide greater continuity. In 1804 the Treasury Board gave all financial duties to one of the Secretaries, and all political work to the other. In the following year they appointed a permanent, or Assistant, Secretary, leaving the Financial Secretary as the principal aid to the Chancellor of the Exchequer, and the Political Secretary as the assistant to the Prime Minister. The Assistant Secretary, and the Secretary with the financial duties are the important junior officials in the Treasury in the nineteenth century, playing a far more crucial rôle than their
nominal superiors, the Junior Lords of the Treasury. As the political Secretary became increasingly the assistant to the First Lord, as Prime Minister and Leader of the House of Commons, so the Chancellor of the Exchequer was left to work out with the Financial Secretary the precise division of executive duties. The Financial Secretary took upon himself the task of examining all proposals for expenditure from the Departments, and of managing the progress of bills through the House. The post was considered as one of the most important outside the Cabinet, and as indicating a bright political future. The Financial Secretary was one of the most hard worked members of the Government, and exemplified Henry Taylor's opinion that the rôle played by junior ministers was crucial. He performed most of the detailed work of the Treasury and decided what papers the Chancellor of the Exchequer would want to see.

Financial Secretaries in the nineteenth century seldom held their position for more than a few years, but with the Assistant Secretaries, or Permanent Secretaries as they were called after 1867, the opposite was true. In the century after the introduction of the position they held office on average for a little under ten years. As the principal guardians of the traditions of the office they were able to exert considerable influence on the line of policy, as well as ensuring continuity in administrative procedure. It was Sir Charles Trevelyan who re-organized the Treasury staff in 1848, so that it could deal more effectively with the growing volume of work. He also helped to establish the tradition of a powerful supervising Department. The permanent head involved himself in all the work of
the Department, so that Trevelyan was led to remark that "it is more easy to say what he does not do than what he does." All these men were hard workers, with a deep sense of departmental loyalty and dedication to duty that, in the cases of Trevelyan and Welby at least, seems to have led to an inefficient involvement in the minutiae of administration, at the cost of failing to exercise real supervision. The small size of the Treasury made possible this involvement in all its work. And while the Treasury was at the forefront of the drive for public economy, to which the permanent heads in the nineteenth century felt a personal commitment, it was easy for it to be too heavy handed in exercising its authority over other Departments, to the exclusion of any real attempt to guide and co-ordinate by persuasion.

The Treasury's theoretical powers, its technical responsibility for finance, and its position as the most important element in a still fragmented administrative machine, were all clear by the middle of the eighteenth century. It is later developments in this position which must largely account for the fact that the rôle of its various officers was changing for another fifty years. In 1755 Lord Hardwicke remarked to the Duke of Newcastle that the duties of the First Lord were "far beyond the bare management of the revenue." The Commission on Fees and Emoluments in 1786 was the first official body to summarize the duties of the Treasury. It remarked that the,

business of the Board of Treasury is to consider and determine upon all matters relative to Your Majesty's Civil List, or other revenues; to give directions for the conduct of all Boards and
persons entrusted with the receipt, management, or expenditure of the said revenues; to sign all warrants for the necessary payments throughout, and generally to superintend every branch of revenue belonging to Your Majesty or the Public. 25

The legal authority of the Treasury to exercise this control over finance rested entirely on the powers vested in it by the Crown. Despite the right that Parliament had won to determine the amount of money raised by taxation, it remained a basic principle of constitutional practice that Parliament never spent any money. It granted to the Crown what it felt to be an appropriate amount, conferring on the Crown the power to spend it. Erskine May summarizes the principle thus:

The Crown demands money, the Commons grant it, and the Lords assent to the grant; but the Commons do not vote money unless it be required by the Crown; nor impose or augment taxes, unless they be necessary for the public service as declared by the Crown through its constitutional advisers. 26

By the Letters Patent setting up each successive Treasury Commission, the Treasury possessed the right to exercise these powers of Royal Prerogative. They alone could exercise authority on matters of government revenue or expenditure, since they not only controlled the money once it had been raised, but were the only people entitled to propose money resolutions to the House of Commons.

Legal authority alone did not make the Treasury the central supervisory Department of the government, as it was to be in the nineteenth century. On the contrary, in the eighteenth century, even when the First Lord of the Treasury was accepted as the chief minister of the Crown, the Treasury's administrative
activities did not extend much beyond supervising the raising of revenue, and the legal issuing of funds for expenditure. This appeared quite sufficient to most observers. The financial system provided for the needs of government, and despite its manifest inefficiencies, there was no real likelihood of a complete breakdown. Furthermore, although many members of the House were concerned about the level of taxation, there was no general call for a consistent attempt to curtail the expenditure of the central government. The Treasury in the eighteenth century clearly paid very little attention to departmental Estimates. So long as the nation's finances worked to the satisfaction of informed opinion, the Treasury had nothing to do in the administrative field beyond ensure that the system continued to operate as it always had.

The description of the Treasury's powers in 1786 made no mention of administrative co-ordination, expenditure control, or the efficiency of the financial system. Above all, the report does not use the word which in the nineteenth century was so frequently linked with the name of the Department - control. This contrasts sharply with the outline of the Department's powers given in the report of the Select Committee on the Public Income and Expenditure of the United Kingdom in 1828. This Committee emphasized the ancient legal authority of the Treasury, and said the Department was failing to exercise the "effective control" over public finance that it was entitled to and ought to. The Committee summarized the Treasury's duties in a passage which centers around the word control.
It is necessary that this control should be constantly exercised, in determining the amount of Expenditure to be incurred by each Department; in securing the application of each Sum voted in the Annual Estimates to the Service for which it has been voted; in regulating any extraordinary Expenditure which, upon an emergency, may be deemed necessary within the year, although not included in the Estimates; and in preventing any increase of Salary or extra allowance, or any other emoluments, being granted without a Minute, expressive of the approbation of the Board of Treasury. 28

So strong is the emphasis on the central control of the Treasury that the duties with the revenue and the issue of funds, which were discussed in 1786, were scarcely mentioned; presumably because they were obvious, unchallengable, and therefore not worthy of detailed discussion.

The change in attitude towards the Treasury which the contrast between these two Reports exemplifies reflects a volte-face in thinking about government finance since the mid eighteenth century. This new thinking lay behind the Treasury's adoption of the wider supervisory tasks it was to perform in the nineteenth. It is therefore crucial in explaining why the duties of the Treasury officers were changing until well into the new century, although the Department had already won considerable prestige and its full legal powers. The efficiency of administration and the limiting of public expenditure had become a major factor in political discussion by the last two decades of the eighteenth century. Thus interest in the activities of the Treasury tended to switch from emphasizing the technicalities of revenue raising to the effective enforcement of policies of administrative reform and retrenchment.
The origins of the Economical Reform Movement date back to the period after the American War of Independence, and were directly concerned with the opposition's desire to attack the Government, and to reduce Royal influence. As the Crown gradually lost its political rôle, so a clear and general distinction came to be made between politics and administration. In its turn this change was to necessitate the establishment of general rules and the centralized supervision of administration in a way not previously called for. But as D.L. Keir has pointed out, although the movement eventually caused a reduction in the influence of the Crown, it was most important for starting a process of administrative reform. In his speech of February 11th 1780, which is generally taken as the beginning of the Economical Reform Movement, Edmund Burke emphasized that reform of offices and the reduction of the influence of the Crown was impossible while administration was in a state of chaos. He remarked that,

neither the present, nor any other first lord of the Treasury, has ever been able to take a survey or to make any tolerable guess, of the expenses of government for any one year, so as to enable him with the least degree of certainty or even probability, to bring his affairs within compass.

It is significant that Burke felt it essential that the Treasury have full control of the Civil List to stop its being misused by the Crown. George Rose, who held office under Shelburne and the Younger Pitt, and who was an advocate of reform even if at the same time something of an apologist for his masters, argued for a strict control of the expenditure incurred within
the Departments. Like Burke he saw the connection between a reformed administration and the effective supervision of the machinery of Government and of finance. When this criticism was combined with the increasing fears of high government expenditure which had grown up by the end of the Napoleonic Wars, a climate of opinion had clearly become apparent which would look to a supervisory body to retain order in the administration. The legal powers of the Treasury might date back a long way, but only when there was a heightened concern for public economy, and only when the administration was so ordered as to be amenable to control, was the Treasury to become a genuinely supervisory office.

The authority of the Treasury over the raising of revenue was not affected by its assumption in the nineteenth century of wider supervisory duties, even though both aspects of its work rested on the same legal basis. Indeed so complete was the Department's authority over the revenue raising bodies, that there was never any dispute about this between the Treasury and other sections of the Government. Since only the Crown could propose money resolutions in the Commons, the Chancellor of the Exchequer always initiated the raising of any revenue. And the Revenue Boards, whose job it was to administer the various forms of taxation, were entirely subordinated to the Treasury. Lord Monteagle, at the time Comptroller of the Exchequer, summarized the Treasury's rights over the Revenue Boards when he appeared before the Select Committee on Public Moneys in 1856. His remarks are valid for any time in the preceding one hundred years, which under-
lines the fact that where the Treasury's powers depended only on law, as opposed to administrative organization or public opinion, they changed very little. "The powers of the Treasury for revenue purposes are," he said,

common law powers, at least they are not uniformly resting on any statute; they are the usage which is the unquestioned right of the Department, subject to Parliamentary authority, and subject to the control of law if exercised improperly. 34

Although the Crown's ability to raise the revenue had been undermined at various times in history, it was administrative inefficiency rather than political opposition which had prevented the real centralization of the revenue machinery. The Crown finally abolished the Customs farm in 1671, to bring all revenues under its control in fact as well as in law. 35 The Commissions of Excise and of Customs were subordinated to the authority of the Treasury Board, or the Lord High Treasurer. With the Post Office, which an Act of Parliament constituted in 1660, and which was seen as a source of revenue rather than a system of communications, these Boards constituted the principal means of obtaining the Government's income. As the Treasury grew to a position by the end of the seventeenth century where it could undertake administrative duties, so these Boards, like the Mint, came under its control. 36

The Letters Patent which established the Revenue Boards required obedience to "All & singular the Orders Rules Instruccons & direccons" of the Treasury. 37 According to Elizabeth Hoon, the Treasury "determined the principles on which the Customs Board conducted its business and had imme-
diate supervision of the customs establishment." The Treasury received a weekly statement of all receipts, dealt with all communications between the Customs and other Departments, heard petitions about the Customs, and ensured that administration complied with their instructions. The Treasury's control over the Excise Commission was equally powerful, so that even on occasions in the later seventeenth century they had used this Board as a source of money for 'unofficial' loans. The control had been reinforced by an Act of 1700, which denied Commissioners of the Revenue Boards the right to sit in the House of Commons, and so removed from them the opportunity of exercising independent political authority.

One of the great incentives for the Treasury to strengthen its hold over the Revenue Boards was the immense patronage these Boards exercised all over the country. In 1782 half of the 14,000 revenue posts in the United Kingdom were directly controlled by the Treasury. Governments were always under pressure to find posts to appease political supporters, and this meant that the Treasury in the eighteenth century, as the Department then chiefly concerned with ensuring the survival of the ministry, sought to appoint not only the senior revenue officials, but also the junior ones in outlying areas. By the end of the century it was "invariably the rule" for the Treasury to appoint officials to country Post Offices in England and Wales. From 1680 onwards both the Excise and the Customs Commissioners were under pressure to make politically appropriate appointments to junior posts. Fifty years later it appears the Treasury exercised a consist-
tent policy of appropriating to itself as many as possible of these posts.

The Treasury's use of the patronage of the Revenue Boards emphasizes the political, as opposed to the merely administrative, nature of the Department's position in the eighteenth century. It had established both its legal authority and its independent staff by the death of William. Building on this, the First Lord of the Treasury became the Prime Minister because finance was the key to the survival and effective functioning of any ministry. But the administrative tasks of the Treasury were severely limited. It supervised, but did not actually organize, the raising of the revenue. The gross inefficiencies of the financial system rendered impossible any detailed supervision of money once it had been issued to the spending Departments. And in the absence of any widespread philosophy of retrenchment, or of any deep interest on the part of the Commons in financial affairs, there was little incentive to undertake close scrutiny of departmental affairs.

In the nineteenth century these factors were all changed. Political patronage largely disappeared, administration was reformed, and the scrutiny of expenditure came to be seen as a major part of a government's work. These changes, which became apparent in the 1780's, involved the Treasury in more detailed work, and created a situation more open to supervision. Similarly the Treasury was at the forefront of the economy drive by the end of the Napoleonic Wars, since they alone had the powers, or were in a position, to enforce retrenchment.
Despite the long history of the Treasury's legal authority, and the fact that by the accession of Queen Anne it was the most influential Department of government, Treasury control only became a reality with the passing of political patronage and medieval administrative practices. Recent discussion has emphasized how nineteenth century administration grew and undertook new duties without men realising why, or what were likely to be the full consequences of such an expansion. It would appear that the Treasury, among the oldest of Departments, and the one whose control over other sections of government is held to epitomize so much of nineteenth century English administrative history, found itself in a position of increasing authority about which similar opinions might be expressed.
FOOTNOTES

1. Foreign observers have expressed some of the most lavish praise. A. Lawrence Lowell says the Treasury "exhibits in the highest degree the merits of the English Government." Gérard Wolff remarks that the Treasury is "un département polyvalent et irremplacable; la complexité de sa structure, commela variété de ses activités ne font que traduire son originalité," and he concludes effusively that the Treasury's ability to adapt to new circumstances and so preserve its power is due to the "génie anglo-saxon." W.R. Anson and Sir Ivor Jennings, among constitutional commentators, were uncritical of the Treasury's rôle. S.H. Beer, in a book on post-war Treasury control, likewise raise no substantial criticism of either the principle or the practice of the control. The same, perhaps understandably, is true of the relevant volumes in The Whitehall Series and the New Whitehall Series, which were both written by Civil Servants.

The criticism of the Treasury, often very bitter, has tended to come from those who have suffered from that Department's tight control over the purse strings, or from those to whom the Treasury epitomises a prevalent but dangerous amateurism in administration.


2. The Treasury had assumed its modern shape before the Secretaries of State divided their duties along functional lines in 1782. Likewise it did so before the Board of Trade lost responsibility for the Plantations, and so before Colonies came under a separate Department; and before the drastic changes in the Pay, Audit and Exchequer Offices.

The offices which were attached to the Lord Chancellor,
the Lord President of the Council, and the Lord Privy Seal, obviously go back a long way, but they were not ones performing normal administrative duties and so are not really comparable.

3. The establishment of control over the Exchequer is a mark of the increasingly effective authority of the Crown in the sixteenth century. Henry VII had used a Household Treasury to keep affairs under his own cognizance, and Cromwell had created various revenue courts which proved unmanageable after he had gone, and had to be amalgamated. It was during Elizabeth's reign that the Crown obtained real control over the Exchequer, which until then had always been in danger of being taken over by baronial opponents. By the seventeenth century the Lord High Treasurer was also the ex-officio Treasurer of the Exchequer, which emphasizes his assumption of control over this Department. Legally the powers were distinct, the senior post being conferred by the presentation of a white staff, and the junior by a Letter Patent.


7. The Duke of Newcastle was the First Lord of the Treasury from June 1757 to May 1762, but the real head of the ministry was the Secretary of State for the Southern Department, William Pitt, who held his post until October 1761.

The Duke of Portland was the First Lord of the Treasury from April to December 1783, but as is implied by the name normally given to this Government - the Fox/North coalition - he did not really hold effective power.

The posts of Chancellor of the Exchequer were separate from 1835 until 1873. Gladstone held both posts 1873-4, and again 1880-2. Asquith presented the Budget of 1908 because he had been Chancellor of the Exchequer when it was drawn up.

The Prime Ministership has been combined with the position of Foreign Secretary on several occasions, but only since the Prime Minister came to be seen as an independent official. On these occasions the combination of posts merely reflected the interest of the Prime Minister, and had no real constitutional significance, i.e. Fox 1806; Salisbury 1885, 1887 and 1895; MacDonald 1924. Both Churchill and Attlee combined the Prime Ministership with the post of Minister of Defence.

The post of Prime Minister was not recognized in statute, with its own salary, until the Ministers of the Crown Act, 1937.

Sir Francis Baring seems to be the only person who expressed the opinion that the Treasury Lords served a useful purpose. He felt they could perform a central supervisory function within the Treasury, look at expenditure figures, and supply criticism to the ideas of the departmental officials. But he did not suggest that they could take upon themselves any ordinary administrative duties. It was the opinion of Sir Charles Trevelyan that the Treasury would "break down" if they tried to do this.


S. Childers, The Life and Correspondence of the Right Hon. Hugh C.E. Childers 1827-1896, London, 1901, vol. II, p. 148. This point was contained in a letter from Sir Reginald Welby to Hugh Childers. In the same letter Welby outlined the various duties of the Chancellor of the Exchequer at the time he was writing - 1882. He classified them under five heads: a) to deal with suggestions and appeals on revenue matters, which often reached the Chancellor of the Exchequer directly, without first passing through the Treasury. b) as the supreme head of the Finance Branch he had to supervise the movement of funds, and ensure that money was available when and where it was.
required. This aspect also involved loans, and communications with the Bank of England. The Civil Servants in the Finance Branch reported direct to the Chancellor of the Exchequer rather than through the Permanent Secretary. 

c) as head of the National Debt Office and the Mint, he received a few direct questions from the executive chiefs of these two bodies. 
d) to receive representations from colleagues who objected to, or anticipated, a Treasury decision which affected them unfavourably. 
e) to decide what the Financial Secretary should send him.

13. Select Committee on Miscellaneous Expenditure, 1848. 
op. cit., p. 80, for Trevelyan's remark, and p. 355 for Baring's.

14. The Regency Act, 1707. 6 Anne, c. 41, s. xxiv.

Men with approximately similar status in the Foreign Office, the Under Secretaries of State for Foreign Affairs, were much inconvenienced by this clause of the Regency Act.
E. Jones-Parry, "Under Secretaries of State for Foreign Affairs, 1782-1855," English Historical Review, 1934, XLIX.

15. In the Foreign Office as well the distinction between political and administrative functions remained unclear until 1825.
Ibid., p. 319.

16. Second Report of the Commissioners Appointed by Act 25 Geo. III. cap. 19. to enquire into the FEES, GRATUITIES, PERQUISITES, and EMOLUMENTS, which are or have been lately received in the several PUBLIC OFFICES herein mentioned, 1786.
G.B. Sessional Papers, Commons, 1806, VII, p. 56.

17. The Minute appointing the Assistant Secretary said that, "My Lords take into consideration the great increase in Business in all the Departments of the Office and the additional labour and attendance thrown upon the Secretaries and Clerks, and are of opinion, that for promoting regularity and dispatch, an additional Secretary should be appointed...."

18. Despite the fact that the post of Financial Secretary was supposed to presage a promising career for the holder,
few of the Financial Secretaries in the second half of the
nineteenth century in fact reached very senior positions
in Cabinet. Those that did were Hugh Childers, W.H.
Smith, and Austen Chamberlain. But others had already
achieved a reputation or were to later, either inside
Parliament or outside it. Among men in this category
were James Wilson, George Sclater Booth, Sir M. Ridley,
Sir J.E. Gorst.

James Wilson, the Financial Secretary from 1853-58, and
the founder of the Economist, was considered by his
officials to be the best Financial Secretary in this
period. Leonard Courtney (1882-5) made the biggest
impact at the time of his tenure of the office, with his
remarkable qualities of intellect.

see:- Sir T. Heath, op. cit., pp. 82-3.


20. There were ten Assistant/Permanent Secretaries 1805-1903.
The average of their tenure of office is lowered by an
unimportant figure, William Hill (1826-8), and by
Alexander Spearman, who retired in 1840 after four years
because of ill health; he later returned to public ser­
vice as the head of the National Debt Office.

see:- J. Winnifrith, "The Rt. Hon. Sir Alexander Spearman
1793-1874." Public Administration, 1960, XXXVIII.

There were only four Assistant/Permanent Secretaries
1840-94. Sir Charles Trevelyan (1840-59); George
Hamilton (1859-70); Sir Ralph Lingen (1870-85); Sir
Reginald Welby (1885-94). Welby had been Principal Clerk
in the Financial Division for fourteen years before assum­
ing the highest post.

21. E. Hughes, "Sir Charles Trevelyan and Civil Service Reform
1853-5." English Historical Review, 1949, LXIV.
J. Hart, "Sir Charles Trevelyan at the Treasury," English
Historical Review, 1960, LXXV.

22. Select Committee on Miscellaneous Expenditure, 1848, op.
cit., p. 110. Trevelyan then went on to attempt to
summarize his duties as follows: "he has to look after
the expenditure; everything that concerns the establish­
ments, the revisions of establishments, and the alteration
of rules of various kinds under which the expenditure takes
place." loc. cit.
23. In her article on Trevelyan at the Treasury, Jennifer Hart notes that he lacked the ability to delegate work. If a problem arose, rather than taking a broad view and seeing that it was properly dealt with, "he would rush impetuously into the breach, or write off a dozen letters exhorting everyone to work harder in imitation of himself."

Jennifer Hart, op. cit.

Sir Algernon West remarks of Welby that he "was devoid of the power of devolution, and would occupy hours of valuable time in doing work which might have been done as well, if not better, by a junior clerk. He would use a razor to cut a block."


The internal structure of the Treasury was of course affected by these administrative changes; payment by salaries, instead of by fees and perquisites, came in 1782.

32. E.A. Reitan, op. cit.


34. Select Committee on Public Moneys, 1856. G.B. Sessional Papers, Commons, 1856, XV, p. 71.

35. Customs were farmed out until the Parliament of 1642-3, which decided to bring them under its own authority. Charles II returned them to the farmers in 1660, and finally established the Crown Commission in 1671.

Excise was introduced under government supervision by the Long Parliament. Charles found he needed the money thus provided, and so retained them, but farmed them out like the Customs. He established a Board in 1662.

The Inland Revenue Board was formed in 1849 by amalgamating the Excise with Stamps & Taxes. Excise was attached to Customs in 1909.


38. Ibid., p. 45.


In 1850 Trevelyan pointed out that to some degree the control of the Treasury was weakened by the fact that all the information on which the Treasury formed its opinion about the way the Commissioners were running the revenues had, of necessity, to come from the Commissioners themselves. See the Memorandum by C.E. Trevelyan, printed in Papers on the Reorganization of the Civil Service, G.B. Sessional Papers, Commons, 1854-55, XX, p. 431.

It appears also that the Treasury's control over revenues
from the Colonies, while complete in theory, was in practice rather ineffective.


43. Apart from the supervision of the Revenue Boards, and the issuing of funds, the Treasury only administered a few of the Crown lands, and arranged certain special types of contract, such as those for victualling troops overseas.

CHAPTER II

The Treasury and the Control of Expenditure

The Treasury's responsibility for the financial business of the government involved the raising of revenue, the management of the National Debt and the coinage of the realm, and the provision of funds for expenditure. In the nineteenth century these duties formed the basis of the Treasury's position within the machinery of government, and for the extension of its powers. But the Department's relations with other organs of government were not chiefly determined by the few administrative duties it undertook itself, nor by the far wider ones for which it was responsible. Rather these relations were determined by the supervisory duties it performed in controlling expenditure, the details of financial administration, and the machinery of government. Such supervisory duties, although based upon long existing legal powers, became effective only with the reform of administration and politics which had been carried out by the early nineteenth century.

As the machinery of government was made more efficient, and as interest in government finance grew, so there was a greater awareness of the connection between the raising of revenue and the need to control expenditure. The control of expenditure involved both legal rights and administrative efficiency. It required that the Treasury be able to determine how much money
a Department might spend during the coming financial year, and that, in co-operation with Parliament, it could ensure that the money be used for the purposes laid down in the Appropriations Act. Only if the Treasury had authority backed up by an effective administrative machine could it ensure that a balance would be held between income and expenditure, and so fulfil its obligations to provide the Government with the money required.

It was appreciated in the nineteenth century that there was a connection between the Treasury's rights over expenditure, and the efficiency of financial administration. Mr. Arbuthnot, Auditor of the Civil List and a Treasury official, said when he appeared before the Public Accounts Committee in 1862, that "we cannot have anything approaching to control if we do not know how the expenditure is going on." He cited a Select Committee of 1817 which had discussed the control of expenditure, and had spoken of "the necessity of bringing all financial subjects officially within the view of the Treasury." The most far-reaching item of financial legislation in the nineteenth century, the Exchequer and Audit Departments Act of 1866, likewise recognized the connection. It dealt in adjacent clauses with the control of Estimates, and the strict application of the details of the Appropriation Acts. The great extensions and reforms of the machinery of financial administration which took place between the 1780's and the 1860's were possible because nobody challenged the right of the Treasury to supervise Depart-
mental expenditure. Despite this, the actual details of these changes were more directly the result of attempts to make the administration more efficient, and the control of Parliament more effective, than they were of conscious attempts to enhance the Treasury's control of expenditure. Thus the right of the Treasury to limit Government expenditure provided on the one hand the basis of the relations between the Treasury and other Departments. On the other hand, because it meant the Treasury's legal powers were unopposed, it was the essential prerequisite for the administrative changes which greatly increased the importance of the Treasury, by establishing a system which made possible the easy supervision of daily expenditure, and the effective enforcement of the audit.

It was the practice of the House of Commons to vote money only for the expenditure envisaged during the coming financial year, and to insist on the surrender of any surplus at the end of that period. This practice dates back to the period when the raising of revenue and the voting of Supply had been at the root of the conflict between Crown and Parliament, but it came to be of great importance to the Treasury in the nineteenth century. It meant that each year every Department had to apply anew to the Commons for the money it needed to provide its services for a further twelve months. The Departments had to re-evaluate the whole of their expenditure programmes, and show both the total of their requirements, and how this was broken down in detail. They handed their Estimates to the Treasury before Christmas,
to give the Chancellor time to examine them and to plan his Budget for the Spring. The Treasury also saw the proposals for expenditure which resulted from policy decided upon during the course of the financial year. It appears that there was no real guarantee that an item of expenditure so approved would be automatically sanctioned when it appeared again before the Treasury on the next year's Estimates.

In exercising its rights over the controlling of expenditure the Treasury was implementing the predominant philosophy of government of the age. The curtailing of public expenditure was an essential element in the nineteenth century Englishman's thinking about government. And although the Tories, certainly under Disraeli and Salisbury, showed less inclination to be ruthless in their financial plans, members of all parties took it for granted that high public expenditure was bad for the country. Sir Stafford Northcote, who started life as private secretary to Gladstone, and who later became Chancellor of the Exchequer in Disraeli's second administration, wrote a book in 1862 on the financial policy of the preceding twenty years. He ended it with a call to all his readers, whatever their party, to join together in the fight against high government expenditure. It is significant that the bitterest arguments in Budget debates were not over the limiting of expenditure, which was taken for granted, but over the raising of revenue, the relative advantages of direct and indirect taxation, and the reform of the tariff. No Chancellor of the Exchequer before Lloyd George embarked on a budgetary policy which was drawn up with what appeared to be few inhibitions
about increasing government expenditure. On the contrary, Chancellors of the Exchequer all worked towards the same end: either they strove for a surplus with which to remit restrictive indirect taxes or pay off some of the National Debt, or, at worst, they only increased taxation to cover unavoidable increases in expenditure.

The limitation of government expenditure thus featured as a major part of any policy decision. The cost of a new programme did not merely have to fit in with the resources available to the government at that particular time, as would tend to be the case in most of the twentieth century. The advocates of a new policy, in trying to show that their programme was essential, had to show that its advantages outweighed the disadvantages inherent in an increase in expenditure. Although this situation clearly did not lead to stagnation, since the expansion of government expenditure and activity in both the civil and military fields was very considerable in the nineteenth century, it did mean that there was a tendency to take a limited view of individual administrative problems. It was only possible to take an objective view of a particular policy when it was discussed in its own terms, rather than partially in terms of a general policy of retrenchment. The importance of the Treasury in the heyday of retrenchment did not then lie only in its relative success or failure in limiting expenditure. As the foremost element in the limiting of expenditure it held a central position in the whole approach taken towards administration.

The philosophy of retrenchment was part of that same
economic philosophy which achieved its more conspicuous success in tariff reform. It was a philosophy which assumed that economic welfare depended on allowing industry and agriculture to make full and unrestricted use of the nation's resources. In *The Wealth of Nations* Adam Smith said that high taxes would limit the expansion of industry. In 1834 Samuel Wells produced a book which explicitly blamed the country's economic troubles on government extravagance. Complaining of "inordinate taxation, and a ruinous and profligate rate of expenditure," he stated what may be taken as the basic creed of the nineteenth century economiser. "Taxation" he said, "diminishes the amount of employment both for capital and labour." Though Wells was incorrect in his explanation of the causes of the poor state of the economy, this does not detract from the widespread acceptance of his views. In 1879 Mr. Rylands, M.P. for Burnley, moved a resolution in the House of Commons which held,

> That the Taxes required to meet the present expenditure impede the operations of agriculture and manufactures, and diminish the funds for the employment of labour in all branches of productive industry, thereby tending to produce pauperism and crime, and adding to the local and general burden of the people;

The assumption running through G.R. Porter's *Progress of the Nation* is quite clearly that high government expenditure, and therefore high taxes, are undesirable.

The *Laissez faire* interpretation of economics, though modified and attacked at various times in the nineteenth century, was accepted by most of those involved in national
affairs. It is true that by the end of the century men were less careful about the need to curtail expenditure, being more committed to expensive military and social programmes. The fact that some felt it legitimate to impose new restrictions in the form of tariffs by the turn of the century was not taken as implying the total rejection of laissez faire economics, and therefore did not serve as a signal to start taking more money out of the economy by imposing higher taxes. The higher taxes that men came to accept by the end of the century were not fully justified on theoretical grounds, but were merely accepted as the necessary consequence of new policies. The basic tenets of Adam Smith's creed reigned supreme in economic thinking for over a century. It was a creed, as Eric Roll puts it, "which claimed universal validity and which involved its adherents in a special view of society and the state." These adherents were not just Liverpool manufacturers or members of the Political Economy Club - they included almost all thinking men. G.M. Young has noted the way in which economic ideas permeated the ideology of the age.

I have always thought that one of the most remarkable achievement of our early nineteenth century thought was the assimilation of the new science of economics into the general body of the culture, as a topic within the common framework of reference. The limiting of government expenditure was one element in this science of economics, and thus the Treasury, as the Department with responsibility for public finances, became an important instrument in its application.
The attitudes of the various Chancellors of the Exchequer towards economy mirror the dominant thinking of the age, and show how clearly the action of the Treasury was related to this thinking. In the search for cuts in government expenditure a clear line can be drawn from the Younger Pitt, through Robert Peel, Gladstone, Robert Lowe, Sir Stafford Northcote, Hugh Childers, Lord Randolph Churchill, to Sir Michael Hicks-Beach at the end of the century, to mention only those who were the most distinguished in expounding the creed of public economy.

Winston Churchill remarked in 1907 that, "No school of thought is so strong or so enduring as that founded on the great tradition of Gladstonian or Peelite finance." Gladstone used to look back to the years 1825-1840 as the halcyon days of the economist, but the struggle for economy was fundamental to the thinking of the heads of the Treasury for seven decades after the end of that period. Greville described Sir Francis Baring, who was Chancellor of the Exchequer from 1839-1841, as "the Cerberus who growls at every claimant on the Treasury, no matter how just his claim may be." Sir Edward Hamilton remarked of Hicks-Beach that "With him Treasury control was a reality."

Chancellors of the Exchequer, and informed opinion, used to gauge the success of a financial policy by the size of the surplus and the way in which expenditure had been cut, or at least kept in line with the rise in national wealth. Debates on expenditure centered around comparisons of this sort. In his Budget Speech in 1860, for instance, Gladstone laid great emphasis on what must have been startling facts to his listeners.
He maintained that from 1842 to 1853 national wealth had increased by 12%, and expenditure by 8.75%. Between 1853 and 1859 wealth increased by 16.7%, and "public expenditure, so far as it was optional and subject to the action of public opinion, at the rate of 58 per cent." Similarly in 1876 Sir Reginald Welby, at that time head of the financial section of the Treasury, measured the success of Robert Lowe's years as Chancellor of the Exchequer in terms of the surplus he had been able to achieve.

The relatively new study of economics thus came to play a vital role in financial discussion, use being made of statistics to a degree unknown and impossible in the eighteenth century. But important though economics was for those who were trying to restrain government expenditure, there was one weakness in the science which led to an incorrect assessment of what was happening. At this period a price index was not used. Thus an apparent increase in government expenditure at current prices in fact included not only the real increase, but also that increase which was necessary in a time of inflation if existing services were to be maintained. Certainly it does not appear to have been normal for Chancellors of the Exchequer who were 'guilty' of allowing a rise in expenditure, to have blamed at least part of this rise on price inflation.

Although when they were working for public economy Chancellors of the Exchequer were acting in accordance with the opinions of their fellow M.P.'s, it appears that the House of Commons was not an effective instrument for curtailing expenditure. It provided the background consensus of opinion against
which the Treasury could do its work. Despite the relatively small size of government administration, and the light official work load for backbench M.P.'s, the House was not able to make that detailed examination of expenditure which lay behind any successful attempt at retrenchment. There was no regular Estimates Committee until 1912, so criticism was confined to broad policy or to attempts to win a few concessions in the Committee stage after the Finance Bill had been presented. Between 1832 and 1852 the House rejected six Budgets, but usually on some big matter rather than because it allowed for too extravagant expenditure overall. After the middle of the century rejection of the Budget was very rare. In 1852 Disraeli lost his first Budget because of his plans to double the house tax, and eleven years later Gladstone avoided almost certain defeat by withdrawing his proposals for charities. Thus it was the Treasury, even at the time when the M.P. was freer than at any time before or since to express his opinion, which had the task of putting the creed of public economy into practice.

Gladstone expressed, if in a more impressive and eloquent way than others, the basic thinking about expenditure of nineteenth century Chancellors of the Exchequer. He called the Chancellor of the Exchequer "the trusted and confidential steward of the public" who was "under a sacred obligation with regard to all that he consents to spend." He had said in a letter to his brother twenty years before that "Economy is the first and great article (economy as I understand it) in my financial creed." At the Treasury he was frequently involved in conflicts with other departments, the most notable being with
Palmerston is 1860 over the plans to build harbour fortifications against the French. In 1861 he took the extraordinary step of sending a round robin among Liberal M.P.'s to arm himself against those members of the Cabinet who held the fortifications to be necessary. When he was Prime Minister he continued to take an active interest in the enforcement of public economy. In the early years of his first administration he worked hard for a reduction in naval and military expenditure, which in 1871 brought him into conflict with his own First Lord of the Admiralty. It was when he was Prime Minister that he formalized the principle that any member of his Government making a public statement with financial implications which might involve a commitment for the future must first inform the Treasury. Sir Thomas Heath, writing of the Treasury in 1927, said that "Within living memory the Treasury has perhaps never been so powerful as when Mr. Gladstone was First Lord of the Treasury, whether for the moment holding the additional office of Chancellor of the Exchequer or not." Lord George Hamilton went so far as to say that under Gladstone the Treasury "certainly was... the Government."  

Almost as important as the commitment to public economy on the part of the Chancellors of the Exchequer was the attitude of Treasury Civil Servants. Even until the end of the century officials seemed to combine very considerable departmental loyalty with a definite creed of economy. A highly responsible figure such as Sir Charles Trevelyan, who was Assistant Secretary from 1840-1859, was not apparently very sensitive about the impropriety of a planned leak, if it was in the inter-
ests of the policy he stood for. Trevelyan was firmly committed to a policy of economy and strongly advocated Smith's *Wealth of Nations*. Ralph Lingen, head of the Treasury staff between 1869 and 1885, was, in the words of *The Times*, "a strict economist, and watchful guardian of the public purse" who was able to say 'No' with "an emphasis and determination which repelled the most obstinate and most ingenious of petitioners."

The best example of the association between the views of politicians and Civil Servants in the Treasury is Reginald Welby, who succeeded Lingen in 1885, and held the Permanent Secretaryship until 1894. Referred to by *The Times* as the "guiding spirit of British finance" for nearly a quarter of a century, he was a friend of many Liberal politicians. Henry Gladstone called him "a close personal friend and valued adviser" to his father. Sir Algernon West, in his diaries, shows how Welby was one of Gladstone's social circle, and how Gladstone would automatically send for him if a matter of great complexity arose. West concluded that "there are some among those who know who say that Sir Reginald Welby is the most powerful man in the British Empire. If we exclude the power of initiating in matters of high policy, they are probably not far wrong." Welby combined this rapport with his political masters with uncompromising views on economics and finance, and definite ideas about giving the Treasury powers to decide what expenditure was "imperative" and what merely "desirable."

He succeeded Lord Farrer as Chairman of the Cobden Club in 1899, and wrote an introduction to Cobden's political writings
in which he spoke of "we Free Traders." In his evidence before the Select Committee on National Expenditure in 1902 he complained bitterly of the recent increases in expenditure, while taking for granted the Treasury's task of curtailing the demands of the various departments. He used to advise officials to paste up charts in their rooms, showing the course of expenditure over the last twenty years. "That really is the best form in which control can take place, because your eye catches directly where the increase arises."

It is against this background of dedication to public economy that the Treasury did its work. The Department was in the hands of men to whom economy was not merely an expediency, but a necessity for national prosperity. The task that faced these men was not to create theoretical powers for their Department, but to make effective use of the powers it had, and which legally speaking were unchallengeable. Even those who had most reason to oppose the way in which the Treasury exercised its powers did not do so on legal grounds, but only because they felt it inhibited flexible administration. Virtually all politicians or authorities who discussed the powers of the Treasury took for granted its legal right to control expenditure, just as much as its right to raise revenue. A Select Committee in 1828 spoke of the "ancient and wise control vested by our Financial Policy in the hands of the Treasury over all departments connected with the Public Expenditure." Complaining that this control was inadequately exercised, they suggested that its restoration would be "nothing more than the restoration to the Treasury of its ancient authority." Sir Reginald
Welby said before the Select Committee on Civil Services Expenditure in 1873 that "The Treasury control the whole of the civil expenditure. It claims a right to judge every measure increasing, or tending to increase, directly or indirectly the public expenditure."\(^44\) This was not the arrogant claim of a Gladstonian, but a clear statement of a universally accepted legal right. Appearing before the Select Committee on Public Moneys in 1856, W.G. Anderson, the Principal Clerk for Financial Business in the Treasury, made the same point:

> The right of the Treasury to determine what the civil departments may spend, and what they may not spend, though modified occasionally by certain special enactments, is incontestable, and rests upon an unbroken prescription which has, accordingly, the force of law. \(^45\)

If the country's finances were to be properly managed, the expenditure of the nation had to be balanced with the collection of the revenue, while both remained as low as possible. What is at issue is not the right or necessity of Treasury control over departmental Estimates, but the method of its application by those to whom this control was an expression of faith.

There were acknowledged weaknesses in the power of the Treasury. The more senior the office with which it was dealing, the less was the Treasury able to insist on economy. Talking of the offices of the Secretaries of State for Foreign Affairs and for the Home Department, Trevelyan remarked in 1848 that they "have been held in a degree of respect by the Treasury, and we have not felt we had precisely the same control over them in matters of this sort as over the other offices."\(^46\) The Treasury could seldom, if ever, have an
item taken off the Estimates once it was established there. Welby's use of the words "increasing, or tending to increase," seems to imply this. Lowe complained of the same weakness. Pointing out that the Treasury was a Department like the rest, he said in 1873 that "when a thing has got on the Estimates we cannot well withdraw it; we can prevent its coming on the Estimates, but when it is there the Treasury is powerless to get rid of it; that is where our weakness is." Nor did the Treasury have the machinery to make full surveys of departments' expenditure programmes each year. Rather they had to concentrate on the new items on the Estimates. Welby remarked in this respect that "the defect of the Treasury control is that necessarily speaking it is applied in isolated cases." Anderson noted that the Treasury did not have the means to make a comprehensive examination of the details of the military Estimates, though it could of course control the totals.

The Treasury's control over expenditure was one of those elements of English governmental procedure which, while a legitimate application of Royal prerogative, was not set down in statute until long after it had become normal practice. Welby suggested that the control could be traced back two hundred years, and a memorandum submitted to the Estimates Committee in 1958 said that the Treasury control "derives by custom and constitutional practice from the Treasury's position as the central financial authority." Treasury control finally received statutory backing in the Exchequer and Audit Act of 1866, though in such a way as to show that the drafters of the legislation were merely putting down on paper what they
felt existed in practice. It is significant that in the debates on the Bill nobody complained about the passage relating to Treasury control. Clause twenty seven of the Act takes for granted the reality of control over expenditure but lays it down so that it may be given the extra backing of the services of the Comptroller and Auditor-General. Having stated that the Comptroller and Auditor-General were to ascertain that all payments were made with the proper authority, the clause goes on:

Provided always, and it is hereby enacted, that whenever the said Comptroller and Auditor-General shall be required by the Treasury to ascertain whether the Expenditure included or to be included in an Appropriation Account, or any Portion of such Expenditure, is supported by the Authority of the Treasury, the Comptroller and Auditor-General shall examine such Expenditure with that Object, and shall report to the Treasury any Expenditure which may appear, upon such examination, to have been incurred without such Authority; and if the Treasury should not thereupon see fit to sanction such unauthorized Expenditure, it shall be regarded as being not properly chargeable to a Parliamentary Grant, and shall be reported to the House of Commons in the Manner herein-after provided. 52

Within the terms of this clause the Treasury defined its role by a Minute of 1st April 1868:

It appears to my Lords that it would be beyond the functions of this Board to control the ordinary expenditure placed under the charge of the several departments, within the limits of the sums set forth under the subheads of the several grants of Parliament, and that it is only in exceptional cases that the special sanction of the Treasury should be held to be necessary.

My Lords consider that such sanction should be required for any increase of establishments, of salary, or of the cost of a service, or for any additional works or new services which have not specially been provided for in the grants of Parliament. 53
By this Minute the Treasury was making quite clear that an item of expenditure was valid only if it had been approved on the original Estimates, and so got on to the Parliamentary Grant, or if the Treasury approved of it at some stage during the course of the year.

The statutory expression of Treasury control, and its detailed exposition did not automatically make the Treasury omnipotent. Indeed it appears that the Exchequer and Audit Act made very little difference to the power of the Treasury over the initial incurring of expenditure. On important matters at least the Treasury's authority depended on the influence that the Chancellor of the Exchequer carried with his colleagues. Sir Ivor Jennings has suggested that the Chancellor's position in Cabinet is the basis of the Treasury's power to control expenditure. S.H. Beer has pointed out that this alone is not an adequate explanation, since the prestige and position of the Treasury must automatically enhance the influence of the man who becomes Chancellor of the Exchequer. Presumably both these interpretations are in some sense true. As an inherently influential department the Treasury increases the power of the man placed at its head. But this very influence means that the Chancellor of the Exchequer is always a senior man in the ruling party. Conversely, already an influential man, he is given the added weight of Treasury prestige in his relations with his colleagues. As Robert Lowe said in 1869, "high office is a great element of strength and one which a Government anxious for economy ought not to neglect."

Chancellors of the Exchequer, both before and after the
Act of 1866, were involved in major battles with Cabinet colleagues, in which the effectiveness of Treasury control was synonymous with their personal influence. In his battles over the fortifications in 1860 the success of the Treasury's case rested on Gladstone's ability to persuade other members of the Cabinet that the French threat was unreal, and the expenditure it involved dangerous. Gladstone himself understood the personal commitment of the Chancellor of the Exchequer to the Estimates that Cabinet discussed. In a letter to Morley in 1886 he said, "I have repeatedly fought estimates to the extremity, with an intention of resigning in case." In the same letter he criticized the way Lord Randolph Churchill had tendered his resignation after his dispute over the naval Estimates. In Gladstone's opinion Churchill had presumed too much of a right to order how much the defence Secretaries might spend, instead of relying on his position in Cabinet to force his way. Others also accepted that the proper place to resolve major disputes of this nature was in the Cabinet room. In a Minute of January 1870 Lord Granville, the Foreign Secretary, referred to a dispute that he had had with the Chancellor of the Exchequer, Robert Lowe. Drawing general conclusions from this, he cited the case where a Department pleaded efficiency over a certain programme, and the Treasury economy. In such a case, "if we cannot agree, Lowe has an official right to bring the matter before the Prime Minister and the Cabinet."

The support of the Prime Minister was crucial in most disputes over expenditure that had to be arbitrated in Cabinet.
Gladstone provided as strong a backing to his Chancellors of the Exchequer as any Prime Minister. But it is not possible to deduce from this that because a Prime Minister had previously sat in the Treasury that he was therefore automatically a stronger supporter of retrenchment than one who had not. From 1835 onwards, when the Chancellor of the Exchequer and the Prime Minister were normally different people, until 1908, only Peel, Gladstone and Disraeli had been Chancellors of the Exchequer before assuming the highest post. Both Peel and Gladstone held their views on economy before they went to the Treasury, and Disraeli was the least vigorous of Prime Ministers in enforcing public economy, although he clearly subscribed to the view that it was necessary. In Salisbury's administrations there were several severe conflicts between the Treasury and various departments. Salisbury's refusal to support Churchill over the Naval Estimates was a direct cause of the Chancellor of the Exchequer's resignation. Hicks-Beach and Chamberlain were involved in several conflicts over colonial expenditure, in which Salisbury's role was important. After the start of the South African War Hicks-Beach clashed with the War Office, and at one point in 1903 was led to remark that no Chancellor of the Exchequer could hope to control expenditure unless he had "the active, firm, and continuous support of the Prime Minister." 59

Not all requests for expenditure were of such a nature as to require the attention of the Chancellor of the Exchequer, let alone the Cabinet. The vast majority of departmental Estimates were of a routine kind which could be dealt with at
an official level. The Departments sent them to the Financial Secretary of the Treasury, who would pass them on to the Chancellor according to the arrangement that the two men had worked out between themselves. Thus the number of Estimates actually examined by the Chancellor of the Exchequer would vary from Government to Government. Lowe used to look at a great number, and Disraeli very few. Lowe required that a large number of papers be sent to him partly because he distrusted his Financial Secretary, William Baxter, and partly because he was very conscious of the need to co-ordinate the work of those beneath him. Disraeli took the opposite view because he was disinclined to become involved in the minutiae of finance. Lowe indeed not only looked at a large number of papers, but took a more niggling approach than most of the other Chancellors of the Exchequer. In 1871 he aroused the wrath of the Postmaster General - admittedly not a man to win the respect of the intelligent or the industrious - by his objection to paying the passage of emigrants in fulfilment of an agreement with Australia. This underlines the fact that personal factors were important even in the detailed work of the Treasury, just as it had been in the big disputes which had reached Cabinet.

It was in matters of small and routine expenditure that the power of the Treasury was most effective. They clearly had to maintain a rigid control over small items if the total was not to run out of control. But doubtless the fact that routine items could be more easily controlled made them more attractive to the parsimonious mind. The Select Committee on Miscellaneous Expenditure in 1848 remarked that, "In all cases
a narrow and constant examination of the details should be ex¬pected from the officials of the Treasury. In expressing this opinion the Committee was reiterating what Sir Francis Baring, a former Chancellor of the Exchequer, had said in one of the hearings. Sir Charles Trevelyan voiced his approval of the idea in a Minute he wrote on the organisation of the Finance Division of the Treasury in 1850, though he pointed out at the same time the difficulty of a small office undertaking this amount of detailed work.

Few if any departmental Ministers would be in a position to complain to the Cabinet or the Prime Minister every time the Treasury denied its sanction to one of their small requests for expenditure. For reasons of time and efficiency the great majority of the details of the Estimates had to be decided within the administrative machine, and in such cases it was relatively easy for the Financial Secretary of the Treasury, or the Permanent Secretary, to refuse point blank than it was for the Chancellor of the Exchequer if a major item reached Cabinet. Often indeed even the Financial Secretary did not deal with the Estimates in detail. In 1880 Lingen wrote to W.H. Smith that "A great deal of work in fact is finally done by the Principal Clerks." Mr. Gibson Bowles complained to the House of Commons in 1900 of the insensitive and tight-fisted approach of the Treasury in detailed matters. "It is in small matters that the interference of the Treasury is most felt." He felt that the Treasury had reached a position where its arrogant disdain for the opinions of others in these small matters was matched only by the timidity of the Departments. The combination of "ancient
authority" and the awe-inspiring reputation that the Treasury had by Peel's time meant there could be little dispute over those things which were too petty to be considered at the highest level. To take up an example used by Gibson Bowles in 1900, no Minister of Works could conceivably complain to the Cabinet because the Treasury had refused him the money needed to re-whitewash Bethnal Green Museum. The chances are that his officials would not even bother to put in the request if they were sure that the answer was bound to be an emphatic 'No'.

The fact that the Treasury was in a position to refuse certain small Estimates without argument raises the issue of the Treasury's control and influence over policy in the Departments. In evidence to the Royal Commission on Civil Establishments in 1888, Mr. Giffen, of the Board of Trade, argued that the Treasury involved itself too much in minor details, "leaving very little discretion to the department itself." Joseph Chamberlain clearly felt that the Treasury's refusal of its sanction for some of his projects so hampered colonial policy that it amounted to direct interference. These two examples point to the ways in which the Treasury might have become involved in the internal affairs of other departments. The Treasury could have undertaken direct administrative duties which rightly belonged to one of the Departments. It might, by successfully opposing an item on the Estimates, have so curtailed a programme as effectively to have destroyed it. Or it might directly involve itself on some policy decision, so as to influence developments in the way it wanted. On top of
this was the generally inhibiting effect that the strict application of public economy had on the view taken of the process of administration in general. While this does not necessarily constitute direct interference in policy decision taking, it is important in providing the terms of reference within which the rights and wrongs of a new policy would be argued out. Such was the general acceptance of the need for economy that any policy discussion tended to the advantage of those whose job it was to curtail expenditure, and to the disadvantage of those who would want to advocate a new policy in its own terms.

Treasury officials obviously felt that it was not within their jurisdiction to interfere in either a Department's decision making, or in its administration. Needless to say departmental ministers agreed with these officials. It is significant that one of the most ardent exponents of Treasury control should be the man to say that the Treasury's power did not extend to the internal affairs of other Departments. In his evidence before the Ridley Commission Welby held that "the control or check entrusted to the Treasury is purely a financial check, instituted for purely financial purposes, and that from the moment it interferes in any shape or kind with policy it is departing from its proper sphere." In the Minute he wrote in 1879 on the duties of the Treasury, Welby said that the purpose of Treasury control was merely so that the Chancellor of the Exchequer could "cut his coat according to his cloth." Thus not only was administrative interference improper. It was not even "the part of the Treasury to say
whether the policy which leads to a certain expenditure is right or not." In 1870 Granville took precisely the same position. He denied that the Treasury could refuse him money merely because it disapproved of his policy.

Despite Welby's claims it seems it was not easy to draw a clear line between - to use his words - "financial control" and "Departmental business of which the Treasury has no knowledge." The situation did not have to be very complex before it became hard to distinguish between "economy", supposedly the concern of the Treasury, and the efficient operation of a programme, the concern of the other Department. Even if a Minister could prevent direct interference in his policy making at the top level, concern for the details of expenditure could have an inhibiting effect on administration lower down the scale. Lord George Hamilton, who was First Lord of the Admiralty 1885-92, with the exception of a few months in 1886, noted that Treasury parsimony under Gladstone had left forts without guns and ships with insufficient ammunition, thus reducing military capability by far more than would at first appear from the sum of money being saved. The saving of relatively small sums in the Royal Dockyards meant large delays in the completion of ships, and therefore a disruption of naval plans out of proportion to the economy. The Treasury, he concluded, was singularly ill equipped to make detailed cuts of this nature. In a sense the Post Office is not a fair example of this, because it was a Revenue Department for which the Treasury had a special responsibility. But it had its own political head, had always shown considerable independence, and undertook many administra-
tive duties about which the Treasury clearly knew nothing. In
his *Autobiography* Anthony Trollope describes how the Treasury
laid down detailed regulations about the number of letters which
had to be delivered before a new messenger's walk could be
organized; a "sanguine" counting of the letters by the officials,
however, could apparently avoid some of the restrictive con-
sequences of such an approach on the part of the Treasury.\(^7^8\)
Half a century later, in a series of questions and statements
in the House of Commons, people expressed the opinion that the
Treasury's power still inhibited Departments in the ordinary
exercise of their duties. Salisbury, who was Prime Minister at
the time, said that "by exercising the power of the purse it
claims a clear voice in all decisions of administrative authority
and policy." He probably felt, and others openly expressed,
the opinion that the Treasury's attitude was partly to blame for
some of the military shortcomings in the Boer War.\(^7^9\)

The newer organs of government appeared to be particularly
susceptible to Treasury interference in administration in the
name of public economy. It was well known in the 1870's that
permanent officials at the Treasury curtailed the activities
of the Board of Health, and prevented it from performing
effectively.\(^8^0\) Indeed it was only the friendship of John Simon
at the Board, and Robert Lowe at the Treasury, which won the
Board a favourable hearing in the years 1869-73.\(^8^1\) In 1869
Lowe overrode the opinion of Lingen and authorised the extra
staff required to carry out duties under the Sanitation Act.\(^8^2\)
Edwin Chadwick, who had earned himself a very bad reputation at
the Treasury,\(^8^3\) had frequent clashes with Treasury officials.
Although there was some justification in the Treasury's opinion that the Board of Health was a subordinate Department and that Chadwick was liable to be inaccurate in his expenditure estimates, the Treasury often reached decisions on purely financial grounds without examining the needs of the policy. Thus on one occasion, by limiting the funds it was prepared to make available for the purchase of cemeteries by the Board of Health, it did not merely limit the policy but totally destroyed it, since to be effective the policy required that the Board had a monopoly of the cemeteries.\(^{84}\) In a similar way the work of the Commissioners appointed to examine emigrant ships was limited by the Treasury, so that they could not adequately carry out the work expected of them.\(^{85}\)

At the highest level of policy formation, where there existed many instances of Treasury opposition to a Department on economic grounds, control does not appear to have been as successful as might have been expected. Gladstone, and others, may have fought and won battles against extravagant colleagues. But the Treasury was never really successful in preventing the implementation of those major policy decisions which raised government expenditure from £55\(\frac{1}{2}\) millions in 1853 to nearly £120 millions just before the Boer War. After 1853 the Civil Estimates were only once reduced, in the financial year 1862-3.\(^ {86}\) The very definition given to Treasury control at the time may in part be the cause of this. So long as the Treasury had to prove either inefficiency or inexpediency, it would find it hard to take effective action against, for instance, decisions to provide government funds for education and local authorities,
or for a stronger fleet. It was major policy decisions such as this which really raised government expenditure, and especially towards the end of the century, caused this expenditure to outstrip the rise in the gross national product. Although big items of expenditure could be fought by Chancellors of the Exchequer in Cabinet, and were often fought successfully if they represented rash new enterprises, it was almost impossible to escape from the financial implications of the new commitments that Governments were undertaking towards the community. While logically there is no connection between the enforcement of efficiency, and the control of policy, it is clear that the two had to go together if the basic economic justification of Treasury control was to be fulfilled.

By modern standards the Treasury exercised its power in a very ineffective manner. It waited until the Department had taken its policy decision and submitted its Estimates before taking any real action about trying to limit costs. The Treasury was not usually in formal contact with the Departments at the early stages of planning a new policy, and thus could not bring an outside economist's opinion to bear on the outcome. W.G. Anderson pointed out that "The control of expenditure does not interfere with the making of contracts, or the incurring of expenditure in any shape; all that belongs to the executive Departments." It is significant that a Treasury official should thus use the word 'interfere' when talking about the aspect of Treasury control which in the twentieth century is considered to be essential to any effective limitation of expenditure. By the end of the nineteenth century many were
voicing complaints about the amateur nature of Treasury control, but it was not until after the First World War, under the influence of the Haldane Committee on the machinery of government, and of Sir Warren Fisher, Permanent Secretary to the Treasury 1919-1939, that the Treasury came seriously to rely on discussions in the early stages of policy formation, rather than the later rigid enforcement of authority, as the best way to curtail expenditure. Likewise, it was not until after the First World War, and Lloyd George's formalization of Cabinet procedure, that there was any requirement on the part of a Departmental Minister to tell the Treasury in advance of any new policy he proposed to bring before Cabinet. Thus until after the War there still existed the risk that the Chancellor would be ill-prepared for the discussions in Cabinet. Once the Cabinet had reached a decision, the Treasury of course had to sanction any money the policy involved.

The growing costs of new commitments undertaken by governments are the real cause of the rise in government expenditure. Yet the Treasury was singularly ill-equipped to deal with this situation, since it could not remove an item which had become established on the Estimates. Many of the commitments which faced each incoming government were not merely ones which it was hard to opt out of; they were ones which tended to grow under their own momentum. Once Britain had accepted that she had the responsibility to defend the colonies, there was very little the Treasury could do but sanction the funds required to pay the necessary number of troops. In South Africa especially this proved to be far more expensive than had been
originally envisaged. No Chancellor of the Exchequer in the late 1850's, or in the 1860's, was able to lower expenditure to its pre-Crimean War level. Although the Liberals came to power in 1868 firmly committed to retrenchment, Gladstone himself was quite aware of the great difficulties in getting rid of the extra £3 millions added to the government expenditure by his Conservative predecessors. The steadily growing, but scarcely avoidable, cost of educational grants constituted half the increase in the costs of civil administration in Gladstone's first ministry. Within seven years of purchase the telegraphs had already cost £9.2 millions, instead of an estimated £2.5 millions. Sidney Buxton, writing in 1888, made the distinction between avoidable expenditure, which resulted from policy decisions, and unavoidable expenditure, which consisted of debt charges and the like. He missed the point that many policy commitments were of such a nature that future governments had to accept them, whatever they cost.

Although most of the social service costs in the nineteenth century were born at the local level, there is a distinct change in the structure of government expenditure, which reflects the Treasury's failure to prevent new commitments. In 1790 the debt charges constituted 41% of the total expenditure, of both local and central governments, defence 27%, and social services 10%. In 1890, the debt charges were 15% of the total, defence 28%, and social services 17%. In 1910, by which time the central government was undertaking many social services, the corresponding figures were 10%, 27%, and 30%. In the late nineteenth century, for instance, there were big increases in
the costs of the Navy. Given the naval programmes of other countries, and the prevailing opinion in the country about the need for adequate protection, there was very little that the consecutive Chancellors of the Exchequer could do but allow the money required. Gladstone in 1860 had warned Palmerston of the dangers of encouraging "a spirit of expenditure." In 1872 Lowe called on the House to give him the backing he needed to control expenditure. And Harcourt and Hicks-Beach, the Chancellors of the Exchequer who were chiefly concerned with the rising costs of the Navy, were aware that the pressure of opinion made their efforts at economy largely ineffective.

The central weakness, as well as the basic strength of the Treasury's control of expenditure, is illustrated by remarks of Welby's to the Select Committee on National Expenditure in 1902. He accepted that the Commons and the public at that period were less inclined to consider the cost of a programme before embarking upon it than they had been in earlier times. He referred to "the old established rule" that the Treasury was entitled to examine measures involving an increase in expenditure, and continued: "Theoretically, the powers of the Treasury, I think, are complete with regard to that, but those powers are very much subject to the influences of public opinion, Comparing early days, say in the sixties, with later days, one sees a distinct difference in public opinion." The Treasury could enforce its control over small matters by relying on the impossibility of taking all such items to Cabinet, on its prestige, and the authority which it held in constitutional theory, which was tantamount to legal authority even before 1866. It could en-
force efficiency within the terms of major policy without too much difficulty; although even here there was room for improvement in the stage at which the Treasury became involved. But the real measure of Treasury control is the rate of increase or decrease in government expenditure. Even if it is calculated on a price index, this expenditure not only rose steeply in the nineteenth century, but towards the end, and throughout the twentieth century, was outstripping the increase in national wealth.

The justification for Treasury control in the mind of the 'Gladstonians' was not merely that Departments were prevented from spending more than was strictly necessary. In enforcing Treasury control they were acting within a very definite philosophy of government and of economics - one which tended to restrict the size of government - and were trying to ensure that high taxes did not "impede the operations of agriculture and manufactures." 102 Although it is arguable that they underestimated the importance to the economy of government expenditure, by their own criteria Treasury control was only a limited success. The major policy commitments and the whole trend of government to provide an increasing number of social services - which together raised the level of government expenditure at a faster and faster rate - were outside the control of the Treasury. The acceptance by Parliament and public alike of a new, more positive approach to the rôle of government, while not destroying the theoretical basis of laissez faire economics, rendered it less able to provide the underpinning which had added so much to the prestige of the Treasury. Treasury con-
trol, as expounded by Gladstone or Welby, could only really be a
success when all who were involved in government accepted its
theoretical foundation as the sole guide to their actions.

It was not therefore Treasury control, in so far as this
meant the central control of how much the various Departments
might spend, which had failed. Rather, by the end of the nine­
teenth century a negative approach to government came to be
seen as inadequate, and so the principles on which the central
control of expenditure was applied had to be redefined. As
the thinking changed, so it became increasingly difficult to
enforce economy for the sake of economy and to insist that the
curtailing of government expenditure justified itself. While
public economy had been an end in itself, because it had been
an integral part of the current philosophy of government and of
economics, it had been possible to enforce it with only a limited
reference to the policy under consideration. This was because
public economy was in effect a policy itself. By the twentieth
century it was more a matter of expediency, the desirability of
which had to be weighed with the other advantages and disadvan­
tages of the question. This gradual disappearance of the creed
of economy as a major and effective element in government thinking
helped make possible a more objective approach to individual
administrative problems. The Treasury had necessarily held
great sway, and contributed to the restriction of the terms
within which any new policy would be discussed, when the idea of
retrenchment held such sway. But the Treasury cannot be held
exclusively responsible for this narrow view of
administration. The Treasury's approach, and the approach
to administrative problems in general, were both the product of the predominant thinking of the age. To suggest that Treasury officials or Chancellors of the Exchequer could have taken a more flexible approach is to suggest they could have rejected their own fundamental hypothesis. The more flexible and imaginative approach that the Treasury started to take in the twentieth century - certainly after the First World War - was not the product of wiser or more able men, but merely of an age which set less store by public economy.
1. At this period the Government was not responsible for bank notes. These remained in the hands of the individual banks and the Bank of England, which was not nationalized until 1946.

I have not attempted to deal with the relations between the Treasury and the Bank of England in this chapter. It is worth noting however that the Bank of England was of concern to the Treasury for the part it played in bond issues, for the currency notes it issued, and for its control of the Bank Rate. The stability of the Bank was of crucial concern in the financial stability of the country.

The 1844 Bank Charter Act split the Bank into two parts - an issue side and a banking side - as well as prevented new banks from issuing their own notes. It thus served to centralize the issue of currency, since the issue department of the Bank was brought under legal supervision. For Peel, who was chiefly responsible for the 1844 Act, this was merely an extension of the Crown's monopoly over coinage.

It was not until later however that the Bank came to accept that it had as big a responsibility as the Government for ensuring financial stability. Although in the early part of the nineteenth century men such as Sir Francis Baring had expressed ideas about the Bank's responsibility to the community, not until the 1850's and 1860's did the modern idea of central banking receive widespread support, chiefly under the influence of Bagehot. In the crises of 1847, 1857, and 1866, although it was still unresolved who should take the lead in a financial crisis - the government or the Bank - the Bank seems to have anticipated intervention by the Treasury and behaved in a responsible way. Gladstone, for one, resented Bank interference into what he felt was the Government's sphere of managing national finance.


3. Ibid., p. 271.

4. The Exchequer and Audit Departments Act, 1866. 29 & 30 Victoria, c. 39.
"An Act to consolidate the Duties of the Exchequer and Audit Departments, to regulate the Receipt, Custody, and Issue of Public Moneys, and to provide for the Audit of the Accounts thereof."
In normal usage the word 'Departments' is omitted. This practice will be followed here and in subsequent chapters.

5. This is one of the instances where a clear difference between British and American financial procedure underlines the effectiveness of the legislature's examining Estimates for expenditure. Congress insists that the total cost of a project is voted at one go, even though much of the money will remain unspent for several years. It is not at all clear that, under the modern party system in the House of Commons, the more frequent examination of the requests of the Government constitute a more effective check. It is probably easier for a British Government to push through small increases every year, representing small extra commitments to expenditure, that it is for an American Administration, which would have to re-evaluate the whole of its programme before Congress, even if it only did so infrequently.

6. Figures on the income and expenditure of the central Government are to be found in -


8. A tax, he said, "may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may diminish, or perhaps dislodge, some of the funds which might enable them more easily to do so."

10. Ibid., p. 490.


13. For instance he talks of the "ruinous rate of expenditure" in the Napoleonic wars. Significantly he does not specifically condemn high expenditure, but takes it for granted that it is bad by talking of it in derogatory terms.


16. Needless to say the Board of Trade played a vital rôle in the application of the same ideology by leading the fight against protection. A mark of the Board's success, of the fact that under Free Trade tariffs were for revenue purposes, and above all of the involvement of the Treasury in the removal of restrictions on economic activity, occurred after 1845. That year marked the last tariff revision by the Board of Trade. "The next two tariff revisions were performed by Gladstone himself as Chancellor of the Exchequer."


17. The connection between abstract thinking, with its high economic purpose, and the action of government, goes a long way to detract from the force of the anecdotes about Gladstone's parsimony with postage stamps and candle ends, which were originally told in his favour, but later became objects of ridicule. Though perhaps candle ends had become something of a joke in Gladstone's lifetime, even if he did not take the point. He said in one of his Midlothian speeches that the Chancellor of the Exchequer "is not worth his salt if he is not ready to save what are meant by candle-ends and cheese-parings in the cause of his country."


   In 1873 William Baxter, then Financial Secretary to the Treasury, remarked that the Treasury was far more important than the House of Commons in limiting expenditure.

   Select Committee on Civil Services Expenditure, 1873.
   G.B. Sessional Papers, Commons, 1873, VII, p. 687.

   Towards the end of the century there were occasional Select Committees on Estimates, but they never became Standing Committees. For instance a Joint Select Committee sat in 1887 on the Army and Navy Estimates, and three Select Committees sat in 1888 to examine respectively the Estimates for the Army, the Navy, and the Revenue Departments.


Mackintosh cites a Cabinet Minute of 21 June, 1869, from the Gladstone Papers. B.M. Add.MSS. 66,637 f.73.

Heath continues, "In those days the Treasury could refuse applications from Departments without giving reasons; the onus was rightly considered as being on the Department to justify the proposal." His use of words implies the old spirit had not died even in the 1920's.


34. J. Hart, "Sir Charles Trevelyan at the Treasury." English Historical Review, 1960, LXXV.


36. The Times, 1 November, 1915, p. 12, col. d.

37. F. W. Hirst, op. cit., p. 318.

West's use of the word "high" should perhaps be emphasized, because Welby did of course originate schemes of his own. in 1880 for example he produced plans, which Gladstone accepted, to use the Cyprus revenue to pay interest on the Ottoman guaranteed loan of 1855.


41. Select Committee on National Expenditure, 1902, Minutes of Evidence, p. 184.

The Treasury of course was not alone in having politically committed Civil Servants. Apart from such obvious examples as Sir Edwin Chadwick, who worked harder than any politician for the policy he believed in, Free Traders seem to have filled the top posts in the Board of Trade by the early 1840's.


42. Select Committee on the Public Income and Expenditure of the United Kingdom, 1828. G.B. Sessional Papers, Commons, 1828, V, p. 7.

43. Ibid., p. 8. The Committee went on to urge that the House of Commons should hold the Treasury responsible for all items of expenditure in every Department.

44. Select Committee on Civil Services Expenditure, 1873, op. cit., p. 435.

45. Select Committee on Public Moneys, 1856. G.B. Sessional Papers, Commons, 1856, XV.

46. Select Committee on Miscellaneous Expenditure, 1848. G.B. Sessional Papers, Commons, 1847-8, XVIII, part i, p. 74.

47. Select Committee on Civil Services Expenditure, 1873, op. cit., p. 675.

48. Ibid., p. 668.

49. Select Committee on Public Moneys, 1856, op. cit., p. 218.

51. Select Committee on Estimates, 1957-8, 6th Report, memorandum submitted by the Treasury, p. 3 of the Minutes of Evidence.
G.B. Sessional Papers, Commons, 1957-8, V.

52. Exchequer and Audit Act, 1866, op. cit. Clause 27.

53. Treasury Minute, 1st April, 1868.
G.B. Sessional Papers, Commons, XIII, p. 607.


57. "He (Churchill) is also entirely wrong in supposing that the Finance Minister has any ruling authority in the great estimates of defence. If he had he would be the master of the country. But although he has no right to demand the concurrence of his colleagues in his view of the estimates, he has a rather special right, because they do so much towards determining the budget and taxation, to indicate his own views by resigning." loc. cit.


59. V. Hicks-Beach, op. cit., p. 190.

In vol. II, p. 149, S. Childers quotes a letter from Welby to Hugh Childers, in which he outlines the duties of the Chancellor of the Exchequer. The fifth of the five tasks is to decide what he should see, and what the Financial Secretary was competent to decide on his own.


63. Select Committee on Miscellaneous Expenditure, 1848, op. cit., p. ix.


67. "When they see a Treasury Minute, they hoist a white flag." loc. cit.


69. Minutes of Evidence given before the Royal Commission on Civil Establishments (Ridley), 1888; 2nd Report. G.B. Sessional Papers, Commons, 1888, XXVII, p. 333.

70. Ibid., p. 11.

71. Lord Bridges, op. cit., p. 224.

72. Ridley Commission, op. cit., p. 11.

73. A.M. Buxton, op. cit., p. 174. If the disagreement was over policy, and not over the cost of that policy, the Chancellor of the Exchequer "had no right to appeal to the Cabinet, other than that right apart from Departments, which all of us have to complain of any colleague who is in our judgement about to commit a foolish act."

74. Lord Bridges, op. cit., p. 224.
75. G. Hamilton, op. cit., p. 262.

76. Ibid., p. 299.

77. Ibid., p. 305.


Other questions and statements are to be found as follows:
Commons, vol. 78, col. 180; Lords, vol. 78, col.
237-40; Commons, vol. 78, col. 1233; vol. 79,
col. 592; vol. 80, col. 1358-60; vol. 82, col. 128-54.
As well as the above references in Hansard, see:
The Times, 1900, 7 Feb. p. 13e; 10 Feb. p. 10b;
12 Feb. p. 15a; 14 Feb. p. 6f; 15 Feb. p. 6b;
p. 12e; 27 Feb. p. 3e.


81. Ibid., p. 362.

82. Ibid., p. 450.

83. J. Hart, op. cit.
Trevelyan said in a letter of 14 February 1853 that
Chadwick had "never shown any feeling about the public
money except to get as much of it as he could" which fact
alone "disqualified him from office."

84. S.E. Finer, The Life and Times of Sir Edwin Chadwick,

85. O. MacDonagh, A Pattern of Government Growth 1800-60,


88. Ibid., p. 126.

89. Select Committee on Public Moneys, 1856, op. cit., p. 149.

90. Select Committee on Estimates, 1957-58, op. cit., p. vii. "Treasury control is most important at the stage when policy is being formed."

91. See the exchange of correspondence in The Times cited in note 79.


There were several articles in Public Administration between the wars which described new approaches to expenditure control which were being taken at that time, i.e. H. Bunbury, "Financial Control within Government Departments," op. cit., 1924, II, pp. 131-7. Bunbury says that the "strength of the Treasury lies not in its powers but in the wisdom, judgement, and imagination with which they are exercised." p. 133.

Also A.J. Waldegrave, "Financial and Administrative Control," op. cit., 1935, XIII, pp. 251-62. He quotes Lord Northbrook, then at the War Office: "the modern notion of financial control means the union of finance and administration, so that financial considerations may attend and determine administrative policy from its inception, as well as control it during its progress and review it in anticipation of each financial year." p. 261.


95. S. Buxton, op. cit., p. 155.

96. Hansard, 3rd. Series, vol. 228, Commons, cols. 175-7; speech by Mr. Goldsmid, M.P. for Rochester.
It is interesting to note how the rise in public expenditure trained people to tolerate yet further rises. In part this toleration of higher and higher expenditure figures represents an awareness of increased national wealth, but nevertheless the changes in opinion are striking. In 1834 Samuel Wells complained that the expenditure of £54 millions was the cause of all the nation's economic problems. On 21st July, 1854, Disraeli remarked in the House of Commons that "there is no country that can go on raising seventy millions per annum with impunity - England cannot, and if England cannot no other country can." In 1895, when expenditure was estimated for £95,981,000, Harcourt remarked that the country "had already reached the limit of tolerable taxation."

S. Wells, op. cit., p. 491.
Hansard, 3rd Series, Commons, vol. 155, cols. 170-1.

Select Committee on National Expenditure, 1902, op. cit., p. 178.

See note 12:
Hansard, 3rd Series, vol. 245, Commons, col. 987, April 24th, 1879.
CHAPTER III

The Treasury and Financial Administration

The necessity for Treasury approval of departmental Estimates before they could be presented to Parliament is clearly the essential element in what came to be called 'Treasury Control.' The universal acceptance of the need for public economy, and the assumption that the nation's resources were most fruitfully employed in the hands of private citizens, not the Government, had underlain the establishment of the Treasury as the central financial department, which had the obligation of limiting expenditure to the minimum commensurate with an efficient service. But the examination of the Estimates, and the need for prior Treasury approval before any new service could be started or financial obligation entered into, were not the only factors which determined the Treasury's relations with other departments. The curtailing of expenditure may have appeared as the overriding element in the financial policy of the various governments, yet it was only a very limited aspect of the more mundane, but permanent, administration of finance.

The process of financial administration can be traced from the moment that a new policy is examined to determine its likely cost, through the presentation of the Estimates to Parliament, the appropriation of the money for the year, the passing of that money from the Exchequer to those who will spend it, to the final audit of the accounts. This complicated procedure
touches on administrative and legal matters, for it involves both the ordering of the financial system so that it can be easily supervised, and the Parliamentary control of grants in accordance with the Appropriations Act. The spending of money already appropriated by Parliament did not force the Treasury to concern itself with departmental policy to the same extent as did control of the Estimates, but it brought the departments into almost daily contact with the offices in which were vested the legal powers to issue and audit the funds. Before 1866 these offices were the Treasury, the Board of Audit, the Exchequer, and the various Paymasters, of which only the Treasury had any stature or political significance. The ordering of financial affairs and the establishing of Parliamentary control, which can be said to have started in the 1780's and to have ended with the Exchequer and Audit Act of 1866, regulated the affairs of all these offices and established a code of procedure which still substantially stands today.

The outline of this code of procedure was embodied in Acts of Parliament and resolutions of the House of Commons, but it was one which could only be effectively applied and administered by the Treasury. Thus at the same time that the Treasury was establishing the routine whereby it could control the initial incurring of expenditure, it was also involved in the establishment of an ordered system of financial procedure of which it was the administrative hub. It was not a system intended to increase the power of the Treasury for its own sake, and indeed to a certain extent it took away from the Treasury some of the old discretionary powers it had once had when finance was in a
state of chaos. But nevertheless it gave the Treasury many extra duties, and that ready supply of information about the other departments which was essential to effective control. It would appear that the more that order was established in the financial system, the more there was a need for a central department to ensure obedience and efficiency. Such a department was of necessity the Treasury.

The creation of an ordered system of finance required of the Treasury that it provide the administrative force behind the new regulations. Likewise it had to assist in the establishment of Parliamentary control. The new regulations changed the financial system from one where there was an entirely inadequate control over issues from the Exchequer, and no real audit or detailed appropriation, into one where both responsibility and expenditure were closely defined and supervised. But just as these changes were not introduced with the intention of increasing the power of the Treasury, so they were not introduced with any extensive consideration of the effect they would have on the rôle of the Treasury. This lack of interest in the function of the Treasury is in part explained by a lack of awareness of what was being done. But the chief reason would appear to be the generally held assumption that the Treasury was already omnipotent in matters financial, and therefore at most it was only filling out its powers with more closely defined, but not more extensive, duties. It would certainly appear to be the case that the task of financial reform was made easier because it was taken for granted that the Treasury could undertake the administrative initiatives and formulate
the detailed regulations that were required. Not all the changes meant extra daily administrative work for the Treasury. The improvement of the system of issuing money had led to the regulating of the duties of the Exchequer by Act of Parliament, but even here it was left to the Treasury to draw up detailed regulations in one of its Minutes. The Treasury thus found itself as the instrument for the improvements of the nation's financial system that politicians were introducing, without being fully aware of how these changes would in fact give it a large number of extra duties to perform in supervising other departments.

It was taken for granted that the Treasury was in possession of very considerable powers, by virtue of its seniority, and because it represented the putting into commission of the authority of the Crown over money voted to it by Parliament. The Treasury's sanction was essential for the issuing of money out of the Exchequer to the spending Departments. It thus had a vested interest in ensuring that expenditure was orderly and that it complied with regulations. It was rightly taken for granted that its administrative duties were central to all government activity, and that it was therefore bound to have some say in most of the projects that the Government undertook. But this was far from saying that this power meant it had an effective control over the day to day activities of financial administration. A Select Committee in 1817 spoke of "the ancient authority" of the Treasury in controlling how money was spent, but remarked that it was not effectively administered. A Treasury Minute which followed up this Committee reiterated
the theoretical definition of the power of the Treasury by saying that "no Department of large expenditure ought ever to be placed beyond the controlling superintendence of the Board of Treasury." But the Minute also implied that this power was ineffective.

The basic powers of the Treasury to regulate financial procedure do not appear to have been analysed closely in any of the proceedings of the Committees involved in financial reform, nor in the hearings of the Public Accounts Committee from its inception in 1861. At best the definition of Treasury powers of regulation were made in general terms as they had been by the Committee of 1817, in the course of a discussion on some other topic. They did not become the subject of debate either in the House of Commons or in the Committee Rooms. On top of this general, but ill-defined, assumption about the legal authority of the Treasury, the necessity of the Treasury having the right to regulate others was accepted in the interests of good business. Thus historical precedent, legal right, and expediency, all combined in such a way that nobody questioned the validity of the Treasury's authority in ordering financial administration. Accordingly the financial reformers gave the Treasury a great number of extra administrative tasks to perform, which immensely increased the effectiveness of its power over other departments, without asking themselves whether they were in fact augmenting the power of the Treasury.

The generally accepted attitude towards the power of the Treasury is well represented by Lord Monteagle, a former
Secretary of the Treasury and Chancellor of the Exchequer, who was Comptroller-General of the Exchequer at the time the Select Committee on Public Moneys was in session in 1856. He mentioned, referring to financial regulations, that "everything passes by Treasury Minute, from the smallest to the greatest." He went on to say that,

The authority under which Treasury Minutes are issued are very multifarious indeed; many of them are issued under Act of Parliament; but the functions of the Treasury are so varied, that if there was not a power of directing by Minute (and the Board can only speak by its Minutes) even in circumstances in which there is no Parliamentary authority, the public business could not go on for half an hour.

M.H. Foster, who was the principal Treasury witness to the Public Accounts Committee from 1867 to 1871, was asked in the hearings of 1870 what law underpinned Treasury authority, and replied that, "The Treasury is an office of very great antiquity, and I think that practice is more the law than any special Act of Parliament." Taken together this constitutes an admission by two of the more senior financial officials at the time when most of the important changes were being introduced, that the authority of the Treasury was at one and the same moment vague and real. Such a situation was perfectly designed to allow the Treasury to undertake a great many more administrative duties, and thus to increase its effective authority over other departments, while still remaining within its traditionally established terms of reference.

The right of Parliament to control taxation had of course existed in practice as well as in theory since the seventeenth
century. But the ability to control the issue and spending of money appropriated for the various Government services was still largely non-existent before the 1780's. It took a long period of constitutional development and of education before Parliament made any serious attempt to supervise this aspect of finance. Talking of the essential prerequisites for the control of detailed appropriation, Basil Chubb points out that, "until such time as the House considered itself responsible for administration, and until the legislature was linked to the executive, strict appropriation was neither possible nor desired." Yet even when the Commons had assumed this responsibility it still did not appreciate how best it might exercise its detailed control. Lord Welby, in a memorandum submitted to the Committee on National Expenditure in 1902, remarked that, "from 1802 until 1868 (the date of the Exchequer and Audit Act) the House learned only the issues from the Exchequer. Thus it knew the sums which had been impressed to the Departments from the Exchequer; it did not know how the Departments had actually expended those imprests." Having remarked how "singular" it was that financiers of the calibre of Pitt and Peel should have been satisfied by this, he goes on to conclude that until the 1850's "The fact is that Chancellors of the Exchequer, their advisers, and Parliament itself, were still under the illusion that Parliamentary Control over expenditure could be effectively secured by safeguards on the issue of money from the Exchequer, without following the expenditure further." Thus the introduction of the reforms which were to affect the Treasury's position was a slow process, and was associated with
a slowly evolving awareness of the sort of measure that was re-
quired if order and legislative control were to be established.

The origins of the procedure for appropriating the money
voted by Parliament may be traced back to the aftermath of the
revolution in the seventeenth century. The Secretary to the
Treasury in the late 1660's, George Downing, introduced the
first appropriation clause in a money bill so that the Govern-
ment could show it was looking after its money well and so
obtain better credit terms. From that time onwards at least
part of the expenditure for the Navy, Army and Ordnance was
allocated to particular purposes and not handed as a lump sum
to the Crown to spend at its discretion. Throughout the
eighteenth century, save for a few miscellaneous votes which
were for the most part non-recurrent, the cost of civil admini-
stration was born on the Crown's Civil List. Annual votes
were confined to the Army, Navy and Ordnance, although even
here it was accepted that large excesses were normal, which
were covered, for instance, by special votes as the 'Army
Extraordinaries.' But it was not until the end of the
eighteenth century that there was any concerted effort to re-
form the details of the financial system. Partly under the
influence of the Economical Reform Movement, whose activities
Chubb suggests can be traced straight through to the Exchequer
and Audit Act, and partly through the activities of the
Younger Pitt, a start was made in modernizing financial pro-
cedure. The Consolidated Fund, which Pitt set up in 1787,
brought into one place, for the first time, all the funds
belonging to the Government. The immensely inefficient Auditors
of the Imprest, who in some instances had allowed annual
accounts to remain open for twenty or thirty years, were re­
placed by a Board of Audit, which was to provide an administra­
tive Audit and to report to the Treasury. By the Act of
1782 the Economical Reformers started the limitation of the
Civil List which was to culminate in the 1830's, and which
brought the Civil List under Parliamentary control. This was
the first significant extension of Parliamentary control over
appropriated grants. It is interesting to note that in the
extended disputes over the Civil List Debt the reformers had
found it expedient to attach responsibility to the Treasury -
a responsibility that Lord North, as First Lord of the Trea­
sury, had accepted in 1777. In response to the demands of
Burke and his colleagues Lord North appointed Commissioners of
the Public Accounts in 1780. Their powers were considerably
greater than those the reformers had first demanded, and they
issued fifteen reports covering all aspects of public admini­
stration. These reports provided an unprecedented amount of
information on how the finances were operating. From 1802 on­
wards the House of Commons received Finance Accounts, showing
issues from the Exchequer, which necessitated a greater degree
of order in the affairs of that office.

The period of reform in the last two decades of the eight­
eenth century, which set the foundation for the reforms of the
1830's-1860's, saw attempts to remove the mass of abuses and
absurdities which then existed, and to end some of the discre­
tionary powers of the Crown. But there was no coherent
attempt to establish full Parliamentary control over expenditure.
Though the reforms simplified procedure they did not erect anything approaching the tightly organized system that was to be in operation by the 1870's. But they brought with them, just as they required, a supply of information and the need to formulate detailed regulations which was new on the financial scene. Even at this early stage there was a need for the Treasury to play a greater rôle. This reflected not greater constitutional power for the Treasury, but the fact that as order was established in the financial system an increasing number of organizational tasks devolved upon the central financial Department. The new Board of Audit was responsible directly to the Treasury. The Treasury found that the preparation and presentation of the Finance Accounts required activity and communication with other Departments that had not been necessary before. The more that Appropriations were divided into detailed categories, and the Civil List brought under Parliamentary control, the more the Treasury had work to do which it could not shirk or do inefficiently, since it was work exposed to public scrutiny.

There were of course changes in financial administration in the early decades of the nineteenth century, such as the extension in 1817 of the Treasury's power over the Audit Office. But these changes did not constitute an extensive and consistent period of reform such as took place between the early 1830's and the mid 1860's, culminating with the Exchequer and Audit Act of 1866. By the 1830's the House of Commons was showing much greater interest in administrative affairs, and the amount of money that governments spent. Purely political considerations
had been a very important consideration for the reformers of the 1780's and 1790's, but now genuinely administrative matters aroused greater interest. M.P.'s were now free of direct royal influence and contained among their numbers men with a knowledge of affairs and an interest in efficiency. J.E.D. Binney suggests that from the period of North and the Younger Pitt it is possible to date a change in the attitude of the House of Commons. Previously the House had not known enough or been interested enough to take the initiative in administrative reform. But by the turn of the century it was starting to do so, and in 1797 for instance forced Pitt greatly to extend the scope of a financial enquiry he had proposed.

From the 1830's onwards the interest of the House of Commons developed considerably, and building on the sound knowledge of financial affairs which was now widespread turned to the Parliamentary control of money granted to the Crown. Although the principle of appropriation had been established, the House was still a long way from being able to see how the money was actually being spent. Yet by 1866 all aspects of government expenditure were under Parliamentary scrutiny. In his evidence to the Select Committee on National Expenditure in 1902 Lord Welby singled out the period 1856-66, between the Public Moneys Committee and the Exchequer and Audit Act, as the time when most M.P.'s came to appreciate the way in which Parliament could best exercise full control over grants and expenditure. In the course of the changes of the 1830's to the 1860's a network of regulations was established which was essential if force were to be given to Acts of Parliament. It
was the Treasury which formulated these regulations and which undertook their day to day application. It thus came into far closer and more regular contact with other Departments than it had before.

In 1831 a Select Committee of the House of Commons at last came to the conclusion, which had been implied in the 1780's, that the cost of running the civil Government should be under the scrutiny of Parliament. It pointed out that many of the expenses then placed on the Civil List were for the costs of civil Departments, and "ought to be always under the cognizance and subject to the control of Parliament." The Committee concluded that "it is expedient that the CIVIL LIST should be applied only to such expenses as affect the dignity and State of the Crown, and the proper maintenance of THEIR MAJESTY'S Household." In 1854 the Public Revenue and Consolidated Fund Charges Act finally ended the practice whereby the Revenue Departments had been able to make use of their receipts to cover the expenses, without passing them through the Exchequer, thus in effect removing a large proportion of Government expenditure from the control of Parliament. Gladstone clearly seized on the administrative importance of this reform, although it was introduced for purely constitutional reasons. He said, when moving the first reading of the Bill in the House, that it would mean "that great progress will have been made towards establishing a perfectly clear, comprehensive and accurate system of public accounts." The more comprehensive and accurate the accounts were, the more they had to be subject to detailed regulations.
The principle of paying all receipts into the Exchequer had been emphasized by the Report of the Commissioners of Public Accounts on the Exchequer in 1831, which led to the Exchequer Act of 1834. Defining the Exchequer as "the great conservator of the Revenues of the nation" the Commissioners concluded that "Gross Receipts...should be placed, without deduction, in the custody of the Exchequer, and be accounted for to Parliament, whose authority should be necessary for the appropriation of the whole.... We feel this principle to be one of paramount importance for the security of the Public Money." They proposed sweeping changes in the method of keeping accounts at the Exchequer, which appeared to have remained almost unchanged since the days when payments had to be made by physically handing over specie. And they recommended the consolidation of the seven Pay Offices into one - that of the Paymaster General. This reduced the amount of cash in unspent balances and made the Pay Office far more amenable to Treasury supervision. In 1854 Charles Trevelyan wrote to Gladstone that the "Pay Office is a mere passive instrument in the hands of the Treasury, and ought to be dealt with as such. It is the hand which has no will of its own, but blindly obeys every impulse given it by the head." Such a statement would have been impossible before the changes which followed from the report of 1831.

The Commissioners of Public Accounts were careful to emphasize that the chief duty of the Exchequer was the control of issues to the Departments, so that all might be in accordance with the Appropriations Act - a duty which was purely
legal, and did not involve the Exchequer office in scrutinizing the actual workings of the Departments. The method for allowing the issues from the Exchequer was made safer and more efficient. The sanctioning of issues had always involved the Treasury at some stage along the line, as the representative of the Crown, and as the liaison between the Departments and the Exchequer. But henceforth the Departments were to tell the Treasury exactly what they required at the start of each month. The Treasury would issue a warrant on the basis of this information, which would then be cleared by the Exchequer if it was in agreement with the Appropriation Act. The money could then be passed via the Paymaster to the Department concerned. By this means the Treasury, for the first time, was to be in possession of a record of the rate of expenditure of the various departments, though not as yet of the actual details of that expenditure. Henceforth the Treasury would be in a position to ascertain, with an accuracy that had not before been possible, how much of its vote each individual Department had left, and therefore how much money would be needed to meet likely future demands. Although this change was only instigated to facilitate the process of issues from the Exchequer, in order to establish the principle of a legal control over these issues, it clearly had great administrative importance for the Treasury, and enhanced that Department's position within the Government.

The reform of finance which in later years gained great praise for its effectiveness in establishing Parliamentary control was the one introduced by Sir James Graham, First Lord
of the Admiralty, in 1832. He caused Parliament to pass an Act requiring the Admiralty to prepare a detailed annual account of their expenditure, partly so that he would have more information, but also so that Parliament could know more about how expenditure was progressing. The Board of Audit was to examine this account and present a report to the Treasury, who would then hand it on to the House of Commons. For the first time the Commons could see how a Department had spent its money. Lord Welby, in a letter to Graham's official biographer in 1905, said that, "Sir James Graham saw, and saw first, that the only real check on expenditure is to be found in a Report to the House of Commons on that expenditure when it has taken place, by an independent auditor." The assumption about the suitability of the Treasury as the co-ordinator of financial affairs is shown by the fact that it was to be the instrument for handing the report and account to the Commons. But far more important, the Treasury now came into receipt of far more detailed information about the expenditure of the Admiralty than of any other Department, even after the Exchequer reforms of 1834. In his evidence to the Public Accounts Committee in 1862, Mr. Arbuthnot, Auditor of the Civil List, was to remark on the way in which the changes which Graham introduced in 1832 had increased the role of the Treasury in supervising finance. The principle of presenting expenditure accounts to Parliament was extended to the Army, to the Public Works Board, and to Woods and Forests, during the next twenty years.

The final stages in the establishment of an efficient and ordered system of public finance, which was based on constitu-
tional principle and also open to easy supervision, flow directly from the enquiries and Report of the Select Committee on Public Moneys of 1856-57. The Public Accounts Committee of 1861, and the Exchequer and Audit Act, were the direct result of two of the main recommendations of the Committee. These two measures directly enhanced the position of the Treasury, and its ability to control financial administration. Few editorial comments can have been more inaccurate than that in the *Spectator* in September 1857, which asked whether the application of the findings of the Public Moneys Committee would not "detract from the importance and authority of the Treasury." William Dunbar, the first Comptroller and Auditor-General appointed under the Act of 1866, remarked that, "The Exchequer and Audit Act is, therefore, in its main provisions, the legal embodiment of the recommendations of the Public Moneys Committee of 1857, thus tardily but fully matured." Welby was most emphatic about the influence of the Committee. In his oral evidence to the Committee on National Expenditure he spoke of the Public Moneys Committee as "I think, one of the most remarkable Committees, both as regards its constitution and the work it did, that I remember."

The deliberations of 1856-57 were important in establishing two measures which were of the greatest influence on the Treasury, but they also provide a wealth of information about the Treasury. The evidence, especially that of William Anderson, Principal Clerk of Financial Business at the Treasury, reveal the sort of thinking which guided the Treasury, and lay behind its being given extra administrative duties.
Anderson, in co-operation with Macaulay of the Audit Office, and Hugh Childers, Financial Secretary of the Treasury, was to play a large role in the drafting of the Exchequer and Audit Act.40

In his evidence to the Committee, Anderson was chiefly concerned to discuss the two possible means of controlling expenditure — either at source when the money was handed over to the Departments, or when it was spent by them. The Exchequer would exercise the first sort of check, and, suggested Anderson, the Treasury could best do the second, which he felt was far more satisfactory. With Lord Monteagle he emphasized that Exchequer control alone was quite inadequate. He suggested that the essential prerequisite for any control of expenditure, be it by the Treasury or an independent authority, was a coherent system of accounts. Such a system had not existed before Graham's reforms in 1832, and still remained to be introduced for the Revenue and Civil Departments.41 In other words, just as Gladstone had seen the administrative significance of the Act of 1854, so Anderson implicitly accepted that effective control over expenditure by the Treasury was only made possible by a move which was aimed principally at ensuring that Parliament might control the money it voted.42 The Treasury was the most interested of all in doing this, as Anderson pointed out, because if a Department overspent it was the Treasury who had to deal with the lack of funds when the Vote was exhausted prematurely.43 Thus without explicitly stating it, Anderson was accepting that the Treasury had essential and increasing duties laid upon it by the gradual extension of the principle
of the Parliamentary control over expenditure. The Treasury, he implied, was the only department able to administer the changes, and accordingly the vigour and frequency of its supervision over other departments was augmented as a direct result of these changes.

Anderson was at pains to emphasize that the Treasury was not a Department which spent large sums of money, but that "it is a department of control over other departments." Its power did not extend to the actual handing over of money by a Department to a contractor or supplier, but, if it finds that the department is spending a larger proportion of their grants than the Treasury think they ought to have spent in a certain period...it can call on them to revise their accounts and their estimates, that they may satisfy the Treasury that they have made sufficient provision for carrying on the public service for the year. 46.

Thus it rested with the Treasury to supervise any variations in the allocation of money between the Votes, which would allow a degree of flexibility in the final planning of expenditure, without losing ultimate Parliamentary control. 47 The right of the Treasury to give permission to a Department to use the surplus of one Vote to meet the deficit on another, while still remaining within the total - the right of virement as it was termed - is a further example of the way in which Parliament was in effect giving some of its administrative tasks to the Treasury. Since the Appropriations Act of 1846 the Treasury had had the formal power to authorize the transfer of funds within the total. Before that date the military departments at least had been largely free to transfer their surpluses
themselves. The Appropriations Act of 1858 had further modified the Treasury's right in this respect. Following the Second Report of the Public Accounts Committee in 1862, the Treasury was empowered, in the words of a Minute it issued the next year,

to authorize the temporary use of surpluses to meet deficiencies, in order that such proceedings may be submitted for the sanction of Parliament, and that provision may be made for the deficiencies upon the several votes for the said services in such manner as Parliament shall determine. 49

Once again this is clear evidence of the close connection between the work of the Treasury and the desire of Parliament, which was fully developed by the middle of the century, to have a complete control over the money it had voted, right to the moment it passed from the hands of the Government. The Treasury was the instrument whereby the rather rigid requirements of the Appropriation Act were made more flexible, and so administratively more practical.

It seems to have been widely accepted, even before the Exchequer and Audit Act, which was to strengthen the links of Treasury and Parliament, that control by the legislature went hand in hand with control by the Treasury. Parliament could only be sure that it had real control over expenditure if the financial system was well ordered, and supervised by a Department that it could hold to account. Sir James Graham, who was a member of the Public Moneys Committee, put to Anderson the question, "Is it not the object of the legislature to concentrate and accumulate control in the Treasury?" Anderson
replied, "I think it should be so, as the responsibility ultimately rests with the controlling department of the Government."\(^5^0\) Gladstone, appearing before the Public Accounts Committee of 1862, expressed a similar opinion when he said that, "any arguments which would go to prove the uselessness of Treasury control, from their want of technical and departmental knowledge, are arguments that would go far to show the uselessness of Parliamentary control."\(^5^1\) Arbuthnot, appearing at the same time as Gladstone, remarked quite simply that, "the Treasury is weak without the assistance of Parliament."\(^5^2\) Taken together these comments imply that there was a mutual dependence between Parliament and the Treasury, which had to make full use of if it was to be strong. Neither the Treasury nor Parliament could do all it wanted in the field of financial control unless it had the backing of the other, and the use of the services that the other provided.

One aspect of this mutual dependence is exemplified by the Public Accounts Committee, first set up in 1861. The Public Accounts Committee was converted into a Standing Committee of the House in 1862\(^5^3\) and soon established the principle that its Chairman should be a member of the Opposition with a knowledge of detailed financial affairs. The Committee was empowered to call for papers and witnesses, and was thus in theory equipped to examine the accounts of any Department. It reported its findings to the House of Commons, and though in the nineteenth century these findings only once caused a full scale debate,\(^5^4\) they were an incomparable source of information and a considerable incentive to good administration within the Departments.
It did not have its own secretariat until the Exchequer and Audit Act came into force, but from the start the Treasury was the principal witness, providing information about government finance and bookkeeping. The Treasury witnesses to the Committee were in permanent attendance, and were usually senior figures in the Finance Division of that Department.

This mutual dependence is better demonstrated by the Exchequer and Audit Act of 1866. The Act repeated the principle that gross revenues had to be paid into the Exchequer, without deductions, and combined into one Department the duties of the Comptroller of the Exchequer—who had supervised the handing out of funds—and those of the Auditor—who had checked expenditure in so far as figures were available. The head of the newly created office was to be an official of the House of Commons, paid directly out of the Consolidated Fund, and removable only on an address of both Houses, like the members of the Judiciary. The Departments were to prepare full appropriation accounts, and the Comptroller and Auditor-General, as the new official was called, was to check them and report on them to the Public Accounts Committee. By this means the House would have available a detailed analysis of expenditure, and would be able to see that its intentions had been followed. Further, it could point to instances where there was room for improvement in procedure.

When introducing the Exchequer and Audit Bill in February 1866 Gladstone, as the Chancellor of the Exchequer, recognized that the measure did not introduce any radically new concept. This applied to Section 27, which dealt with the Treasury's
control of expenditure, and to the rest of the Bill which dealt with the audit, the accounts and the Comptroller and Auditor-General. The Bill aimed to extend and consolidate the changes in audit which went back to Graham's reforms of 1832 and the Exchequer Act of 1834. In his speech during the second reading in March Gladstone said that the Bill embodied,

"a final decision that the theory of law was to be made to conform to the established and recognised practice, instead of the practice being made to conform with the theory. For a long series of years that the practice under the law had not been in conformity with the law was a matter of perfect notoriety."

The debate showed that the House of Commons had on the whole accepted that supervising and checking the audit provided the best means of establishing Parliamentary control, as opposed to the merely legal check of the Exchequer. Gladstone clearly attached great importance to the principle behind the Bill, and to help ensure success offered the post of Comptroller and Auditor-General to Richard Cobden, who refused.

Section 27 of the Exchequer and Audit Act assumed the Treasury had the right of controlling the initial incurring of expenditure by the Departments. In this respect the Comptroller and Auditor-General was to see his task as one of ensuring Treasury regulations were obeyed, and if he found irregularities, of reporting them to the Treasury. If the Treasury refused to give *ex post facto* sanction to any particular item of expenditure the Comptroller and Auditor-General would report it to the House as "being not properly chargeable to a Parliamentary Grant." Though the Treasury at times resented the fact that
the Comptroller and Auditor-General paid more attention to Parliament than to them, they were greatly helped by his enquiries. The Treasury could, moreover, require the Comptroller and Auditor-General to audit any extra account that they felt necessary. Thus an officer of the House of Commons, whose main purpose was to strengthen Parliament's control, played an important part in increasing yet further the efficiency of the Treasury's control over the other Departments.

While the Comptroller and Auditor-General helped the Treasury exercise its control, so the Treasury played an essential rôle in administering the apparatus required by the Exchequer and Audit Act. In his analysis of the Exchequer and Audit Bill before the Public Accounts Committee of 1866, Sir William Dunbar, then Comptroller of the Exchequer, showed the vast amount of discretion that the new legislation would leave to the Treasury - indeed had to leave to the Treasury if it was to function properly. The Treasury was to regulate his office, and to supervise the format of the accounts that the Departments were to submit to the Comptroller and Auditor-General. The Exchequer and Audit Department and the Treasury were to work in close harmony in issuing funds, the Treasury authorizing the detailed issues to the Departments out of the general credits authorized by the Comptroller and Auditor-General. In the preparation of the appropriation accounts the Treasury was to determine who in each Department was legally responsible, so that Parliamentary control might not be undermined by a diffused authority. All these duties were clearly essential to the efficient administering of the
machine set up under the Exchequer and Audit Act. On the one hand they made the Comptroller and Auditor-General more powerful, and on the other they gave extra work to and increased the status of the Treasury. The sixth Comptroller and Auditor-General to be appointed under the Act, Sir H.J. Gibson, commented in 1916 that "Parliament, in the Exchequer and Audit Departments Act, appears to have pre-supposed that united purpose and action between the two Departments which is so essential to efficient financial administration." He might have gone further and spoken of the mutual dependence which enhanced the power of both the Treasury and the Comptroller and Auditor-General.

One of the most striking effects of the Exchequer and Audit Act, in conjunction with the Public Accounts Committee, was the amount of information that it brought to light. When he appeared before the Public Moneys Committee in 1856 William Anderson had been acutely aware of the limitations imposed on the Treasury by its lack of knowledge about the other Departments. He felt that the Treasury had a very general control over expenditure, but "it cannot reach detail." He went on, "I think the Treasury control over public expenditure is at present weak, and that it is owing in a great measure to a defective knowledge of the actual proceedings of the departments." From 1866 onwards this deficiency was in large part made up for by the reports of the Comptroller and Auditor-General and the hearings of the Public Accounts Committee. The detailed cross-examination of the finance officials from the various Departments not only exposed facts about the
accounts then under discussion, but also provided extensive
details about the general workings of the machinery of govern-
ment, which would not otherwise have been easily available to
the Treasury in this period of jealous departmentalism. Welby
commented that the "Comptroller and Auditor-General's reports
told the Treasury what the other Departments were doing, and
if they committed irregularities it enabled the Treasury to
check them, which they had not had the means of doing before."68
He added that the reports also had a salutary effect on the
Treasury, in ensuring that it always obeyed regulations, and
did not exercise indiscriminate authority.69 But this did
not mean that its power diminished; rather it had a more formal
responsibility to Parliament, and that its relations with the
other Departments were more open to supervision.

The reports of the Public Accounts Committee show a marked
change after 1858, the year that the Exchequer and Audit Act
came into effect. They became comprehensive examinations as
they never had been between 1861 and 1868. The Treasury
Minutes which follow up each of these reports include detailed
instructions to the Departments on how to implement the new
regulations required by the Committee reports. Welby mentioned
how he had been involved in drawing up the regulations necessary
to give effect to the Act. Indeed so extensive were these
regulations that the Treasury had been unable to complete
them in time, and so the date on which the Act was to come
into effect had to be postponed by one year. Before the
Comptroller and Auditor-General could start his work, all the
accounts of the various departments had to be made uniform
a task involving a tremendous labour. Yet once made uniform to meet the needs of the Act, they were far more amenable to Treasury supervision than they had been before. In a Minute issued in 1872 the Treasury commented that "The Exchequer and Audit Act provided for the reorganization, in the broadest sense, of the financial administration of the Civil Departments. Its effect has been to introduce an obedience to regulations and a responsibility as were not previously known." In 1872, to aid them in supervising departmental accounts, the Treasury appointed 'Treasury Officers of Accounts', the senior representing the Treasury at the Public Accounts Committee, the junior maintaining contact with the other departments. Sir H.J. Gibson summarized their duties by saying they covered "technical points connected with book-keeping and accounts, questions of audit, questions of losses and fraud (including precautions against their recurrence), the staffing of the Accounts Branches, the nomination of Accounting Officers, and many other cognate matters. They are expected to see that a reasonable uniformity of accounts is preserved throughout the Departments." Once again, the efficient administering of the Exchequer and Audit Act required of the Treasury more extensive, formalized regulations to govern the activities of the other Departments in a way there had been no need to govern them before.

A distinction must be drawn between the source of the Treasury's power to supervise financial administration in other Departments, and the reasons for the efficient application of this power. Nobody seems to have questioned the authority
of the Treasury, even in the late eighteenth century, and in that respect they were accepting the right of the Crown to spend and supervise its own income, as voted to it by Parliament. But this power became really effective only as reforms were introduced into the financial system which removed abuses and, especially in the period of the 1830's - 1860's, established Parliamentary control. Indeed by the 1860's much of the Treasury's influence came from the information uncovered in Parliamentary enquiries, and because it worked in harness with the legislature in controlling expenditure. Not only was the influence of the Treasury enhanced as a result of the actions of Parliament, but the link between Parliament and the Treasury became closer. Much of the Treasury's power from 1866 onwards depended on the legislative backing given to the exercise of the Royal Prerogative over voted money. The undisputed right of Parliament to ensure its directions were compiled with was rendered more flexible because it could be applied by an administrative office. A degree of obedience and order could thus be established in a way not normally possible for a body of elected representatives. The Treasury was seen to have the backing of Parliament in the introduction of regulations which curtailed departmental independence, and thereby tended to centralize the machinery of government. Much of the Treasury's eventual control over ordinary financial procedure, just as much of Parliament's control, came to depend on the close association between the legislature and the executive. Indeed the control would have been very markedly weaker if there had existed in the British constitution anything approaching a real separation
of powers. Thus Walter Bagehot's "efficient secret of the English Constitution...the close union, the nearly complete fusion, of the executive and legislative powers" came to be the vital element in establishing order and effective control in the nation's financial administration.

The relations of the Treasury with the Departments of the central Government thus underwent a considerable change in this period of financial reform. None of the reformers, either in the 1780's and 1790's, or between the 1830's and 1860's, seems to have paid much attention to the effect the changes would have on the Treasury. The changes were introduced to make procedure more efficient, to remove abuses, and above all to establish Parliamentary control, but there seems to have been very little discussion of the effect that this would have on the exercise of financial authority. The reformers were not primarily concerned with the Treasury, and so sponsored changes without being particularly aware that they were in fact increasing the effective power and the duties of that Department. The fact that the Treasury was assumed to be legally omnipotent in matters financial removed any inhibition from giving it additional administrative work and influence. While clearly there were many limitations on the Treasury's power to control financial administration before 1866, this theoretical definition enabled it more easily to assume an increasingly powerful role in government.

The more that order and efficiency were established in the government's finances, the greater was the need for the exercise of control and discipline. While it would be an overstatement
to suggest that all the Treasury's effective power in this field was thrust upon it, it is clear that the increase in the Department's authority was a response to a reformed and rationalized administration. Although the new regulations in finance might be classed under the general pejorative term 'red tape,' red tape was essential to the removal of abuses, glaring inefficiencies, and the lack of legislative control. A heightened interest in financial affairs, a heightened sense of morality in public affairs in general, and the desire to ensure control by Parliament, all lay behind the reforms in financial administration. The Treasury was a necessary instrument in these reforms, and in terms of the effective power it exercised, it was also one of the principal beneficiaries.
FOOTNOTES

1. The Exchequer and Audit Departments Act, 1866. 29 & 30 Victoria, c. 39.


3. Treasury Minute "for the REGULATION of the RECEIPT of His MAJESTY'S EXCHEQUER," 26 September, 1834. G.B. Sessional Papers, Commons, 1856, XV, pp. 471-84.


5. Thomas Spring-Rice, 1st Baron Monteagle of Brandon, 1790-1866. He was Secretary to the Treasury 1830-4, Secretary of State for War and the Colonies 1835, and Chancellor of the Exchequer 1835-9. He resigned in 1839, having become disillusioned with active politics, accepted a peerage, and took on the job of Comptroller of the Exchequer which he held until his death.

6. Select Committee on Public Moneys, 1856. G.B. Sessional Papers, Commons, 1856, XV, p. 70.


9. Memorandum handed in by Lord Welby to the Select Committee on National Expenditure, 1902, p. 228. Appendix No. 13. Welby puts the date of the Exchequer and Audit Act as 1868. He was of course aware that the Act was passed in 1866, and uses that date elsewhere. It is possible that this is a misprint, but more likely that he meant to say something like "the date when the Exchequer and Audit Act came into effect." It took two years to formulate the necessary regulations.


14. 25 George III, c. 52.

15. 22 George III, c. 82.


17. 20 George III, C. 19.


19. The Select Committee on Public Moneys of 1856 is a good example of this. Its members were: Francis Baring, the Chairman, of the family of Baring Brothers, a former Chancellor of the Exchequer and holder of a wide range of posts in different governments in which he was noted for his efficiency; George C. Lewis, then Chancellor of the Exchequer, who had worked extensively on inquiries into administration in Malta and Ireland, and who had been a member of the Poor Law Commission; Sir James Graham, who had gained an outstanding reputation as an administrator at the Admiralty; Edward Cardwell, who was later to achieve fame with his army reforms; James Wilson, the founder of the *Economist*; and Lord Stanley.


21. Select Committee on National Expenditure, 1902, oral evidence by Lord Welby, p. 175.

23. Loc. cit.

24. 17 & 18 Victoria, c. 94.

The Act did allow the regional revenue offices to make use of their cash receipts for payments, to prevent the unnecessary passing of funds to and from London. But all their costs had to be born on a Vote of the House of Commons, so that in the end they were in a position to pay the Exchequer the full amount of their receipts, and their costs were properly accounted for.


b) evidence by Lord Monteagle to the Public Moneys Committee, G.B. Sessional Papers, Commons, 1856, XV, p. 13.

This same Act rearranged the dating of the Financial Year, so that for all purposes it ran from April 1st to March 31st. Before that date the year had been frequently changed, and especially since 1832 had been in a state of complete chaos. Finance Accounts had run from January 6th to January 5th. Revenue had been raised for the year April 6th - April 5th. Supply expenditure had been voted for the year of April 1st - March 31st. See Lord Bridges, The Treasury, London, 1966, p. 188, n.1.


29. The method of keeping the accounts at the Exchequer, until Act of 1834, provides a subject of light amusement in an otherwise rather arid field. The Exchequer had not yet adopted double-entry book-keeping, although the practice had been widely used in commercial establishments for many years. But more than this, although the Exchequer made up its accounts in English and Arabic Numerals, on paper,
it also copied everything out into a medieval rendering of Roman Numerals, on parchment, right up to 1831. The Commissioners of that year said,

"The Roman Numerals, uncouth, obscure and inconvenient as they are, and inapplicable to the commonest of arithmetical calculations, were the usual formula of abbreviation in the Norman period, and were consequently employed in the Exchequer, though the Exchequer is probably the only establishment in the civilized world that still retains them in preference to the simple and intelligible Arabic Numerals, into which, in fact, every document is now translated in the Exchequer books."


This must come as no surprise when one learns that in 1787 the Public Accounts Commissioners had at last been moved to recommend the abolition of wooden tallies, though they had been careful to allow the existing Tally Cutters to retain their posts until death or retirement. The last one went in 1826, so that wooden tallies were being cut until that date. But medieval practice was not to leave the scene of English Government Finance with a mere whimper. The old tallies remained stored in odd crannies of the Exchequer Office until 1834, when the changes of that year required their removal for reasons of space. Accordingly they were ordered to be burned in a furnace under the Palace of Westminster. A zealous employee fed in too many at one time, the flue overheated, and the Houses of Commons and Lords were razed to the ground.


31. The issuing of money from the Exchequer was one of the duties the Treasury inherited direct from the days of royal administration. It represented, in commission, the prerogative of the Crown, and therefore drew up the warrants necessary for the issue of the money which belonged to the Crown. An issue of money from the Exchequer could only be made by an instrument under the Great or Privy Seal. The procedure for payment was as follows: General Letters of the Privy Seal gave the Treasury Commissioners, the Chancellor of the Exchequer, and the Under Treasurer of the Exchequer for the time being the right to issue money from the Exchequer on sign manual warrants. One of these sign manual warrants would be used to provide funds for a particular service, and would be signed by the Crown and the Lords Commissioners of the Treasury. A Treasury warrant would then be issued to the Auditor of Receipt at the
Exchequer, requiring him to draw an order to pay the sum mentioned. The warrant and the order were then counter-signed by the Lords Commissioners of the Treasury. But since the Treasury had the discretion over the balances kept in the Exchequer, actual payment was only made when a letter of authorization was sent from the Secretary of the Treasury to the Exchequer. The procedure was slightly different for payments from the Civil List, which were done under General Letters Patent Dormant, and salaries, done by Letters Patent under the Great Seal.


32. 2 & 3 William IV, c. 40.


34. G.B. Sessional Papers, Commons, 1862, XI, p. 277.


36. Select Committee on Public Moneys: Evidence in G.B. Sessional Papers, Commons, 1856, XV, pp. 1-449. The first two reports are merely formal, and contain no information. 3rd Report in G.B. Sessional Papers, Commons, 1857, Session II, IX, pp. 495-509.


41. 24 & 25 Victoria, c. 93, introduced Appropriation Accounts for the Revenue Departments in 1861. The Exchequer and Audit Act did so for the rest of the Civil Departments.
42. Select Committee on Public Moneys, *op. cit.*, p. 150.

43. *Loc. cit.*


46. *Loc. cit.*


54. K.C. Wheare, *Government by Committee*, Oxford, 1955, p. 232. In 1872 there was a debate on the Post Office Telegraphs, which followed a report of the Public Accounts Committee. To the date of Wheare's book the other debates were in 1905, 1907, 1908, 1910, 1916 and 1942.

55. *Times*, 2nd March, 1866, p. 6b.


58. 29 & 30 Victoria, c. 39, s. 27.


60. Special Report of the Public Accounts Committee, 1866. G.B. Sessional Papers, Commons, 1866, VII, pp. 540-44.

61. 29 & 30 Victoria, c. 39, s. 8.

62. Ibid., s. 10.

63. Ibid., s. 13.

64. Ibid., s. 22. The Treasury appointed the heads of the Departments as the responsible officers by a Minute of August 14th, 1872, but later had to modify the arrangement for some of the Departments.


67. Loc. cit.

68. Select Committee on National Expenditure, 1902, op. cit., p. 177.

69. Loc. cit.

70. Treasury Minute, 14th August, 1872. G.B. Sessional Papers, Commons, 1873, VII, p. 95.

71. Memorandum by the Comptroller and Auditor-General, 1916, op. cit., p. 3.
CHAPTER IV

The Treasury and the Civil Service

The task of supervising and co-ordinating central government administration was far larger and more crucial in the nineteenth century than it had been before. The public service no longer had to provide patronage for the government, and so efficiency could slowly become its main criterion. Superfluous medieval offices, and entry into the Civil Service on the basis of contact rather than ability, gradually disappeared. Instead each position in government came to have a definite function to perform, and examination entry came eventually to ensure that ability and education alone qualified a man for the public service. Coordination and central supervision was virtually impossible in the days when the structure of the administrative machine had been disorganized, and largely unrelated to the tasks it had to perform. But as governments slowly reformed the administration to remove inefficiencies and abuses, thus establishing a degree of uniformity which had never existed before, so supervision became of central concern. Moreover, as government expanded in the nineteenth century to a quite unprecedented extent, and undertook wider more positive administrative duties, so the question of co-ordination arose as it could not have done before.
The job of supervision and co-ordination fell upon the Treasury. It was the Department of the Crown's First Minister, and so was concerned with controlling the officers of the public service, who were legally speaking Crown servants. As the Department of the Minister of Finance it was concerned to see that the cost of administration was kept as low as possible. It pioneered the reform of the Civil Service in the middle of the nineteenth century, and in later years it implemented the proposals of the various Royal Commissions and House of Commons Select Committees which examined general Civil Service problems. Nobody seriously disputed the Treasury's legal authority over the Civil Service, any more than they did its legal authority in financial matters. What was at issue was not overall authority, nor even the need for the Treasury, as Finance Ministry, to supervise closely expenditure on the public service. The question is how far the Treasury was able to adapt itself to dealing with Civil Service affairs, given that in the nineteenth century the principal driving force within the Department was the search for economy. The multigarious tasks involved in supervising and centralizing a newly reformed administration, and in co-ordinating the work of new and expanding government agencies, required an imaginative approach which was not to be derived merely from legal authority and a concern for retrenchment. Public administration was changing in the nineteenth century at a pace and to an extent that it had never changed before. To control and organize this new machine required a deep grasp of what these changes were, as well as
a willingness to adapt to new situations.

The idea of a single Civil Service is an invention of the nineteenth century. The term 'Civil Service' appears to have first come into use in the 1780's to distinguish the civil from the military sides of the East India Company. The use of the term 'Civil Service' in connection with the home administration did not require that there should be a fully centralized body of departments, but that the political and the administrative servants of the Crown should be distinct from each other. This distinction was established in people's minds at least by the 1830's, although 'Civil Servant', referring to the individual, was in use by the early part of the century. However the term 'Civil Service' did not come into common use until the period of reform in the 1850's, when the Report drawn up by Sir Stafford Northcote and Sir Charles Trevelyan did much to popularize it. This Report took for granted the separation of the Civil Service from the political sphere. In the opening passages of their Report Northcote and Trevelyan said that,

It may be safely asserted that, as matters now stand, the Government of the country could not be carried on without the aid of an efficient body of permanent officers, occupying a position duly subordinate to that of the Ministers who are directly responsible to the Crown and to Parliament, yet possessing sufficient independence, character, ability, and experience to be able to advise, assist, and to some extent, influence, those who are from time to time set over them.

Although Northcote and Trevelyan could refer to the Civil Service as an independent and permanent body of officials, it
does not mean that it was a united organization. Indeed long after they produced the Report people were still talking of the Civil Services of the Crown, in the plural, or referring to it from the functional viewpoint by using the term 'Public Service.' Northcote and Trevelyan complained of the "fragmentary character" of the Civil Service, citing the variations between departments in such matters as grading and pay. A marked departmentalism was a characteristic of the Civil Service which continued long after it had lost its political affiliations, and indeed long after the reforms of the years 1855 to 1870. Two articles in Macmillan's Magazine in the early 1870's make this quite clear. One said that, "At present the Civil Service is, so far as the public requirements are concerned, a disunited body with very distinctive organizations and with very slight bonds of union." The other maintained that the "characteristic defect of the Civil Service is the absence of anything like cohesion."

Evidence before House of Commons Committees and Royal Commissions further emphasizes the strong sense of departmental independence through the nineteenth century. But it was a sense which reflected not merely a laudable desire to differentiate the structure of government to suit various functions. It reflected also an inherent opposition to that standardization which was bound to come if there was to be the overall establishment of high standards of morality and ability. The slow disappearance of patronage had set up a non-political and therefore independent Civil Service, but it also ended the need for ministers of the Crown to be intimately concerned with the
personnel of their offices. It thus posed the problem of centralization, which was to be raised more acutely by the attempts after the mid nineteenth century to establish efficiency throughout the public service.

In the 1780's the public service was organized so inefficiently that centralization was impossible. Payment by fees for services performed, rather than by salary, together with the widespread use of patronage for political purposes, led to a highly inefficient use of manpower, and gave ample scope to those who felt the power of the Crown ought to be reduced. The call for the reform of the public offices which was widely in evidence from the early 1780's onwards, thus centered around the desire for economy and around political principle. Although it varied from case to case as to whether certain posts were genuinely administrative, or merely political, the reforms were ultimately successful in abolishing the Crown's power to influence elections, and should therefore be seen as part of the same movement which led to Crewe's Act, Dunning's Motion, or the reform of the Civil List. Retrenchment however also led to measures to reduce the number of sinecures, and a body of Commissioners in 1782 laid down four principles which they felt should guide all public appointments. Office holders were no longer to have their posts by legal tenure, all officers were to have specific duties to perform, similar offices were to be consolidated, and every officer was to do the work himself, thus preventing some men taking on many posts and paying others to do the work at a fraction of the income they themselves were receiving.
The drive to reform the administration of government at the end of the eighteenth century was to a large extent connected with political reform, but from the start of the nineteenth century public economy increasingly became the chief motive. Certainly it cannot be said that there was any consistent policy towards the Civil Service as such which lay behind the changeover from fees to salaries, and the gradual abolition of sinecures. As the incentive for reform switched to retrenchment, so the Treasury became increasingly involved, and it was much interested in the moves after 1828 to reduce the Establishments to their 1797 level - moves which led to the saving of nearly £1 million. By the 1830's the four principles laid down in the report of the Commissioners of fifty years before had been fully implemented, and it was accepted that the efficiency of the public service should not be hampered by political patronage. The period of reform effectively separated politics from administration, a change which was of course strengthened by the 1832 Reform Act. In 1841 Sir Robert Peel, who was then Prime Minister, noted that there was scarcely any political patronage left; the odd posts that could be used for political purposes were confined to the Revenue Board, the Household, or the staff of the House of Commons, which did not materially affect government administration. Indeed it appears patronage as a whole was coming to be seen as a nuisance, and even as rather degrading, by ministers, departmental heads, and M.P.'s.

There is a clear shift in thinking about Civil Service reform by the middle of the nineteenth century, a shift which
reflects the success of the original reforms. In the 1780's the prime motive behind reform had been to some extent external to the Civil Service. The ending of political abuses and the cutting of expenditure had featured far more prominently than the actual efficiency of the Service itself. This contrasts sharply with the interest in Civil Service reform from the late 1840's onwards, where the prime motive was raising the calibre of Civil Servants. At the start of their Report Northcote and Trevelyan said that, in compliance with their instructions, they had looked at what conditions would be required of new candidates "to obtain full security for the public that none but the best qualified persons will be appointed, and that they will afterwards have every practicable inducement to the active discharge of their duties." This shift in emphasis underlines the fact that the Civil Service was now seen as a separate entity, and required a shift in emphasis on the part of those who were to be the main agents of change. But still thinking about the Civil Service failed to incorporate any serious consideration of the rôle that administration should play, or to show any appreciation of the consequences of government expansion.

The passing of the days when each Department was in the gift of its political head raised the question of centralizing the Civil Service, and of creating uniform standards for all the offices. The separation of politics from administration destroyed much of the justification for the rigid departmentalism which till then had existed, since the political system no longer relied on patronage for its effective operation.
The eventual abolition of patronage altogether, combined with
the introduction of competitive examinations for admission,
dermined whatever justification for strict separation between
the departments had still survived, apart of course from the
permanent requirements of administrative flexibility. The
whole issue of Civil Service centralization is complicated by
the growth of ideas on the individual responsibility of
ministers, but nevertheless it placed the Treasury in a very
stimulating position. Although under Trevelyan, and with the
active encouragement of Gladstone and Robert Lowe, the Treasury
became for a while the prime mover for the reform of the
Civil Service, the issue of real interest is how far the
department was able to take up the full implications about
centralization contained in these reforms. To do this it would
have to shift its concern from the purely financial, and at
the same time be able to cope with the growth of government
which was simultaneously taking place.

The basis of the Treasury's power over the Civil Service
lay in the dual headship of the department, and dates back to
the days of political patronage. The First Lord of the
Treasury, as the first minister of the Crown, was concerned with
the disposal of patronage in the interests of the government;
indeed the Treasury's own patronage increased considerably in
the late eighteenth century. Moreover employees of the
State held their posts in the eighteenth century, as they still
do, "at pleasure," so they were in the fullest sense servants
of the Crown in whom it was natural that the first minister
should take a leading interest. This is even more the case
if the term 'civil servant' is taken, as it is here, to refer to all those who serve in an administrative capacity in the central government, and who were therefore in fairly close contact with the Treasury.\(^2\)

The Chancellor of the Exchequer, as second head of the Treasury and its effective executive chief, had an interest in the Civil Service through his concern for the expenditure of the various government departments. The actual cost of the administration, in the form of salaries and pensions, of course constituted a higher proportion of the civil expenditure than has been the case since the Government undertook to provide a large number of services for the community. This dual aspect of the Treasury's leadership, forming as it did the basis of the Department's interest in the Civil Service, was of concern throughout the nineteenth century. But though it is essential to the Treasury's authority it remains to be seen, having looked at the Treasury's rôle, whether or not the dual arrangement hampered an extension of the Treasury's approach to Civil Service affairs. It would appear on the surface that the foremost of the Treasury's concerns for the Civil Service, at this time when retrenchment was erected into a philosophy of government, was that expenditure should be limited as far as possible. Yet the side of the Treasury's rôle in connection with Civil Service organization which required the greatest energy and imagination would appear to be that which came under the jurisdiction of the First Lord, rather than the Chancellor of the Exchequer.

Although the Treasury had occasionally concerned itself
with matters of efficiency since the early part of the nineteenth century, it is clear that its main concern at that time, as throughout the century as a whole, was financial. In the economy drive after the Napoleonic Wars the Treasury attempted to prevent rising costs, and in 1817 and 1821 forbade salary increases at the same time as trying to adjust them to some common standard. As offices were reformed from the late eighteenth century onwards so the Treasury strengthened its control over salaries and Establishments. In the Colonial Office, for example, though its control was nominal in 1795, it was complete by 1830. Once the argument of political necessity was no longer valid as far as appointments were concerned, it became essential that the Treasury was able to justify its interference in the Establishment affairs of other Departments. Witnesses to the Select Committees and Royal Commissions, even in the 1870's and 1880's, after the period of reform, show that the authority of the Crown's first minister over Crown servants was not an important consideration in the Treasury's routine exercise of authority over other Departments. In other words, even when the issue of centralization had been raised both by the reforms of the middle of the century and by the steady growth of government agencies, the Treasury clearly saw its concern for the Civil Service as yet another element in its general superintendence of government finance. This would tend to imply that there was, at the very least, a limited amount of independent thinking about the Civil Service on the part of the Treasury. Trevelyan said of the Treasury's supervision of salaries that, "It is absolutely
essential and necessary to the function of the Financial Department; there would be no proper financial control without it." \(^{25}\)

In evidence to the Playfair Commission on the Civil Service in 1875, Charles Trevelyan saw the Treasury's function in Civil Service affairs as being directly dependent on its financial powers.

No doubt the Treasury are the proper supervizing and controlling body in all matters which relate to the public establishments. They have the power of the purse, or rather, in the exercise of their constitutional function, they have the power of controlling the public expenditure. \(^{26}\)

He went on to say that this function needed strengthening by the backing of a Civil Service Act of Parliament. But such an Act, which was never introduced, would only have recognized and strengthened existing powers, rather than have created new ones.

Welby, both as head of the Treasury Financial Division and then as Permanent Secretary, most succinctly summarized the Treasury's attitude towards the Civil Service in his appearances before the various inquiries of the period. \(^{27}\) The fact that so many other witnesses agree with him shows that this most Gladstonian of administrators was not exceptional. He emphasizes that in this aspect of the Treasury's work, as in so many others, there was no clear statutory basis for the department's power. "There are a great number of statutes which require the assent of the Treasury to alterations of establishments, but it is my belief that the control of the Treasury is rather a matter of administrative custom, dating from the establishment of the public service in its present form, than to be found in any distinct written document." \(^{28}\) He made this remark in 1873, when
he also held opinions that he was to repeat before the Royal Commission on Civil Establishments under the chairmanship of Lord Ridley in 1888:

the control or check entrusted to the Treasury is that it is a purely financial check, instituted for purely financial purposes.... It appears to me that the control of the Treasury is really the control of the Chancellor of the Exchequer, and that it is given to the Chancellor of the Exchequer because it is essential that the public and Parliament should be satisfied that somewhere or other in the Government there is a guarantee for what I call financial order. 29

Since the Treasury had the responsibility for "financial order throughout the service,"30 the department had the obligation to scrutinize every request for an increase in expenditure, in the form of an increase in salaries, or an increase in the number of employees in any of the government offices. This merely meant that the Estimates for personnel were treated in the same way as the Estimates for other classes of expenditure.

It is clear that Welby, and the others who gave evidence before the enquiries, looked at the Civil Service from the purely financial view-point, but they were aware of inadequacies in what the Treasury was able to do in even this, its principal rôle. No alterations in the Establishment of a department could take place without the sanction of the Treasury, but this did not mean that the Treasury was in a position to exercise an effective supervision of the Establishments. It did not possess the machinery for a detailed annual examination of the departmental Establishments. Welby pointed out that this did not reflect a lack of power, but merely a lack of personnel to undertake the extensive labours that such an examination would
require. He was aware that this constituted a weakness. "I should say the defect of the Treasury control is that necessarily speaking it is applied in isolated cases." He believed for instance that the Treasury should have the opportunity, when it examined a request for an increase in expenditure, to look at all other aspects of this particular branch of the government. For instance if there was a request for more inspectors in some field in England, then the Treasury should be able to look at the arrangements for similar inspectors in Scotland and Ireland. But it did not have the chance to do this. While the Treasury clearly did concern itself with personnel details and requests for extra staff, often to the annoyance of the Departments, what is interesting about this complaint is that Welby felt the inadequacies of the Treasury's power to be in the field of finance, but not elsewhere. He did not complain of any lack of power or effective control by the Treasury outside the field of financial supervision. This reflects not that the Treasury was active as well as powerful in these other fields, but that Welby and his colleagues did not feel they constituted an integral part of the Treasury's activities.

Robert Lowe, the Chancellor of the Exchequer in 1873, mentioned in his testimony to the Select Committee on Civil Services Expenditure that there were certain weaknesses in the Treasury's control of the Civil Service. It did of course have a real control in that it could prevent any increase in a department's Establishment. But it could not force a reduction in the expenditure on personnel, since this would be to exercise an uninvited scrutiny, which was not within the Treasury's
In this Lowe was expressing about the Treasury's control of the Civil Service the same opinion that he had expressed about the Treasury's control of expenditure in general. If for some reason the Treasury felt that another department's Establishment was too big, then it could try and exert pressure, "it is moral suasion, it is not that we have any power to enforce it." If the department did not fall in with this request of the Treasury's then the matter could be taken to the Cabinet. Should the Cabinet support the Treasury's original remonstrance to the department in question, said Lowe, then "it is not the Treasury qua the Treasury, but the Cabinet that in such cases directs the thing to be done." It can be argued that it is pedantic to make this distinction between the administrative action of a department, and the political influence of its chief, because they are obviously mutually dependent. Yet what is important is Lowe's statement that the reduction of expenditure on existing Establishments is not automatically settled within the administrative machine, but has to go to Cabinet. In this he is underlining the limitations on the Treasury's power outside its normal field of control over the increase of expenditure - the power to approve or disapprove an increase. He is saying that the normal aspect of the Treasury's daily involvement in Civil Service affairs was merely an extension of its ordinary exercise of financial control. William Baxter, then Financial Secretary to the Treasury, and as such the man who undertook the detailed examination of the Estimates, expressed the opinion before the same Committee that Lowe had rather underestimated the power of the Treasury to per-
suade departments to reduce their Establishments. But neither he, nor any of the other witnesses, on this or on other occasions, challenged the implications which lay behind the remarks of Lowe and Welby.

The Treasury's control over expenditure lay behind its long-standing involvement in Civil Service superannuation. The paying of pensions to administrative employees in the Customs dates back to the late seventeenth century, but did not become universal until 1810. As such superannuation was the first arrangement to be made common to the whole of the public service, and the first to be regulated by statute. Before this time the Treasury had exercised the right to control the granting of pensions, but the Act necessarily took away some of its discretion. The Treasury fought against this tendency, and in 1834 a further Act mentioned that the Treasury "should consider the Health, Age, meritous Conduct and other Circumstances of each Party applying for a Superannuation Allowance, in order to exercise their Discretion in fixing the Amount of such Allowances, subject always to the Limitations prescribed by this Act." The Act of 1859, which established the modern system of superannuation, maintained this discretion for the Treasury. But significantly the Treasury clung to its control over the granting of pensions even when it seemed threatened by the inflexibility of statute, not because it constituted a common system for the whole service, but because superannuation was an item of expenditure which could easily get out of hand.

If the real basis of the Treasury's concern for Civil Service affairs was financial, then it remains to be asked why it
was that the Treasury took a leading part in the reform of the Civil Service, especially in the period 1848 to 1870. These years stretch from the start of the inquiries into the workings of the departments, which were instituted by Trevelyan, to the introduction of competitive examination entry by Robert Lowe. The fact that the Treasury was so involved does not mean it had lost its basic concern for finance, as the evidence of Welby and others in the 1870's and 1880's clearly shows. Rather it is a case of the gradual acceptance by informed opinion of the need to introduce some measures of reform to improve the efficiency of the public offices. The Civil Service had been the subject of ridicule at the hands of Dickens, though the intensive public interest in the subject did not come until after the publication of the Northcote-Trevelyan Report. The biggest discussion was to be in the years 1855-8. The subject became more urgent as the Crimean War brought to light great incompetence in administra tion, though this incompetence was not the main raison d'être of the Administrative Reform Association. Trevelyan saw the origins of the reform back in 1848, though he took for granted the precedent that the reform of the Indian Civil Service had set. "The revolutionary period of 1848," he said, in evidence to the Playfair Commission in 1875, "gave us a shake, and created a disposition to put our house in order, and one of the consequences was a remarkable series of investigations into public offices, which lasted for five years, culminating in the Organization Report." The initial start to reform was the work of a few men, or at least of a restricted intellectual climate of opinion, just as its
final effective implementation was the result of the personal commitment of the Chancellor of the Exchequer in 1870. Reform appealed to men in different ways. To Gladstone it appeared as a way to improve the efficiency of the administration, at the same time as it strengthened the hold of the aristocracy on the government. Others hoped it would open the way for the middle classes. Benjamin Jowett, then a tutor of Balliol College, was the chief exponent of the idea that it would provide a great incentive to improve the nation's educational system. It is notable that none of these different approaches took a very objective attitude towards the whole process of administration. Even the Northcote Trevelyan Report was chiefly concerned with improving the quality of senior officials, rather than with discussing the efficiency and rôle of administration in general. The historical interest lies not in the mere fact that the Treasury took the lead in implementing some of the new ideas, but the degree to which this rôle caused it to expand its vision. It was dealing with reforms which required a considerable move towards centralization, and should have been based on a sensitive appreciation of the position and rôle of administration. A single concern for financial order and economy was inadequate for this.

The system of patronage by each departmental chief had led to the creation of separate pay scales and arrangements for appointments and promotion in the various departments. Thus in so far as the reform of the Civil Service required a uniform system of admissions, and similar prospects for all, most of these differences were bound to be attacked. It has already
been noted that Northcote and Trevelyan complained of the "fragmentary character" of the Service. They saw that the introduction of a separation between 'intellectual' and 'mechanical' work, and of a single examination entry system, contained a strong tendency to centralize the Service. They declared one of their objectives to be "To mitigate the evils which result from the fragmentary character of the Service, and to introduce into it some elements of unity." In 1873, Lowe, while disapproving of any attempts to centralize for the sake of centralizing, noted that "one must see the future of the Civil Service tends to uniformity by admission of uniform principles." The more there was opposition to reform, the more was there a need for the Treasury to be the instrument of reform, since the reforms would have to be to an even greater degree the concern of the whole service, rather than be introduced spontaneously by the departments. In attempts to reform various Departments from 1848 onwards, Trevelyan found himself faced with considerable departmental opposition. In trying to overcome this and introduce the changes he felt were necessary, he was led to make strong statements on what he felt were the rights of the Treasury and the duties of the Departments.

The measures of centralization, limited as they were, which flowed from the Northcote-Trevelyan proposals, did not mark any real change of the Treasury's approach to administrative organization. Certainly the Treasury, having been the advocate of reform in the 1840's and 1850's, did not take up the full implication about unification contained in the changes they themselves had proposed. In so far as common standards were ex-
tended, they were the result of the initiatives of the various inquiries into the Civil Service over the twenty or thirty years after the Report. Certainly the impetus of the Northcote-Trevelyan proposals did not last very long, and therefore the direct involvement of the Treasury in the taking of initiatives also died soon. In so far as the Treasury was involved after the middle of the century it was merely as the agent to implement the ideas of others, for instance by drawing up detailed regulations in one of its Minutes, or by drafting an Order in Council. This reflects not on the thinking of the Treasury about the Civil Service, but on the inherent authority of the First Lord of the Treasury over the servants of the Crown.

The first tentative steps towards the unifications of the Civil Service were taken in 1855, with the establishment of the Civil Service Commission. The Commission was to organize the examinations for the whole Service, though not until 1870 were they on a competitive basis. There was to be a separate examination for each department, settled "with the Assistance of the Commissioners, according to the Discretion of the chief authorities of the Department." For a long while there remained a great diversity in the examinations; in 1865 the Commission was still organizing two hundred and twenty different sets of examinations. The Civil Service Commission was technically under the supervision of the Treasury, in that all its regulations had to be approved by the Treasury before they became operative. The fact that the initiatives came from the Commission as far as the regulations were concerned, and the fact that the Commission for a long time made little progress towards greater unity, show that
the Treasury was not in this respect really involved in the issue of Civil Service unity of its own free will.

The other moves at setting up common standards throughout the Service largely involved pay and grading. The Playfair Commission in 1875 advocated a Lower Division to do all the mechanical duties. This new Division would be the first one common to all departments, and candidates would gain admittance to it through a single examination. This would narrow the severe differences between departments to the senior grades. The same Commission saw that an acceptable division of labour, and common pay prospects, were essential before there could be any grading of the Service as a whole. A uniform Lower Division, likewise, was the essential prerequisite of any inter-departmental transfers. 54

The Ridley Commission reinforced the sort of change that Playfair had advocated. As far as the Treasury is concerned, what matters is that the initiatives for unity came from bodies outside the administration. Treasury authority, in this as in so much else, undisputed in constitutional terms, yet seldom used imaginatively, was merely the instrument to implement these changes. On occasions they used their authority in a clumsy fashion. When, for instance, they overrode plans for departmental reorganization which the officials of the Board of Trade had just completed. 55 This plan would have led to a large reduction in the number of established officers, and to a considerable increase in the number of temporary writers. The Treasury had agreed the year before that a reorganization of the Board of Trade was called for, but then found in 1870 that the
Board's proposals conflicted with the Order in Council of that year. The Treasury was not prepared to brook any interference in its authority to implement the changes required by the introduction of competitive examinations. It therefore found itself in all out war with the Board of Trade, which was not willing to accept the ideas of the Treasury just when it had made its own arrangements. The principal protagonists, between whom there was an element of personal conflict over and above the immediate issue, were Ralph Lingen, Permanent Secretary to the Treasury, and Thomas Farrer, who held the corresponding position at the Board of Trade. In a letter to Lingen, Farrer referred to the Treasury's snubbing of other departments, and said that, "On the subject of the Orders in Council there is a war between us to the knife. I shall do everything properly in my power to expose and resist the injustices and evil I think they will cause." Though things were exacerbated by the clash of personalities, it illustrated a heavy-handed approach on the part of the Treasury in its relations with the Departments in Civil Service affairs. The Treasury never doubted its authority, but in this instance it was asserting its right to introduce regulations without any consultation with the department concerned, and taking no notice of proposals which resulted from an enquiry it had agreed to. Coming as it did after a long period when there had been very little attempt to encourage centralization, it marks the absence of consistent and flexible techniques of consultation with other departments over Civil Service affairs.

Given the fact that on the whole the Treasury did not lead any concerted move to Civil Service centralization, but only
used its power as the department of the first minister of the Crown to implement certain ideas, many of which came from elsewhere, it is important to see what the various advocates of reform thought of the position of the Treasury. The Playfair Commission was aware that the changes it advocated would throw an extra burden on the Treasury. This shows that it accepted the connection between the reform and the centralization of the Civil Service. "We are of the opinion," the Report said,

that the position of that Department in relation to other Departments should be made as strong as possible; that it ought to have the means of making itself accurately acquainted with the wants and conditions of the other Departments; and that it should thus, whilst acquiring their confidence, be able to exercise an efficient and intelligent control. 57

Such a sophisticated attitude had been clearly lacking two years previously with the Board of Trade. The Commission suggested that the Treasury convene a small committee from time to time, consisting of both Treasury and departmental officials, to encourage this kind of inter-departmental relationship. The Ridley Commission, noting that in financial affairs the Treasury's requests were usually followed, admitted there were cases of friction between the Treasury and others.

With a view to improving this state of things, and of bringing the Treasury into more harmonious and efficient relations with the other Government departments, as well as instituting a more satisfactory control over the establishments, we are of the opinion that it would be desirable, in the first instance, to embody general regulations for the organizations of the Civil Service, in an Order in Council. 58

On these two separate occasions therefore a Royal Commission advocated a stronger Treasury, and a more centralized Civil Service,
in order more efficiently to implement reforms. It is important to note that neither Playfair nor Ridley merely suggested an increase in the power of the Treasury. Indeed they did not discuss the constitutional aspects of power, presumably because they realised that the Treasury was technically supreme. Rather they wanted a more enlightened approach on the part of the Treasury. The explanation of the Treasury's stand in Civil Service affairs given by Welby, and discussed above, implies that this new approach was not really forthcoming.

It was not of course only the attitude of the Treasury itself which prevented that department from being more enlightened about Civil Service affairs. Strong feelings of departmental independence, such as those expressed in angry form by Farrer, would naturally tend to undermine any tendency to take up the full implications of reform by centralizing the administrative machine. Many of the witnesses to the inquiries expressed strong feelings about the need to preserve the independence of the various departments. These feelings were reinforced from the middle of the century onwards by the growth of the idea of ministerial responsibility. Partly in response to complaints about new Boards, which were not answerable to Parliament because they had no political chief, it became increasingly the custom for all branches of the administration to be put under the wing of a minister, and for that minister to be responsible for all that was done in his name.59 The general opinion of the civil servants who submitted comments on the Northcote-Trevelyan proposals was that nothing should be done which would destroy departmental independence. This attitude is best summed
up in the words of one such witness. "The eyes of all those employed in Government Departments ought always to be turned towards the Head, and not towards any external authority, as the fountain and power." Most of the witnesses who appeared before the Select Committee on Civil Service Appointments in 1860 felt that there was a need to keep a large degree of depart­mental independence, so that the Head might have the discretion over who went into his office. Some even objected to the strictness of the Treasury's approach on financial matters, implying that even in the field in which it was supposed to be unchallenged the Treasury might have to face opposition.

Thus within the Whitehall administrative machine, excluding the agencies which had recently grown up, there were series of slight moves towards greater uniformity in such matters as recruitment. In so far as these needed strict enforcement they led to a greater degree of centralization, but even so did not cause as big an increase in the Treasury's power, or as big a change in the Treasury's approach, as appears to have been the common opinion of the inquiries. The Treasury still looked on its relations with the departments in Civil Service affairs from the financial view-point. Though it faced a genuine opposition in the form of departmental loyalties, it tended to be unnecessarily clumsy on many of those occasions when it tried to enforce organizational changes. After Trevelyan's time the Treasury was never in the van of reform in quite the same way, with the exception of the vitally important, but isolated, instance, of Lowe's introduction of competition in 1870. Rather it confined itself to being the agent to apply
the changes that others had suggested. Yet the Treasury was the only body which could conceivably have taken the lead in ensuring a greater amount of coherence of structure among the new government agencies which arose to deal with recently identified social problems.

It was in the variety of tasks that the new government agencies performed, and in their haphazard establishment, rather than in the simple number of extra employees, that the chief administrative difficulties of government expansion lay. The only really big changes in the size of departmental Establishments in the mid nineteenth century occurred in the Post Office and the various Police forces. Recent calculations suggest that the proportion of central government employees to the labour force as a whole increased only from 2.4% to 3.6% in the years 1851-1891. Only one twenty-fifth of the total of central government employees were employed in civil administration during the middle years of the century. But despite this, the new agencies grew without any semblance of co-ordinated plan. Governments created them in an ad hoc fashion to deal with tasks which they had only recently identified as requiring action. Between 1832 and 1855 three new ministries and eleven new boards were founded. In about the same period nine boards and two ministries were abolished, all but one in the years 1847-58. This coming and going on the administrative scene reflects, as Willson points out, Parliamentary fears about the responsibility for the action of Civil Servants rather than any consistent plan for the organization of the machine of government. The fear about responsibility was probably justified,
given the liberties that some civil servants such as Chadwick were taking. But the absence of an overall plan, reflecting as it does the absence of independent thinking about Civil Service structure, would not appear to have such a firm basis.

The organization of these new agencies of the central government does not appear to have entered within the Treasury's conception of its control of the Civil Service. As a result of what David Roberts terms the "ad hoc and timid legislation" and the lack of planning, the "lines of responsibility were obscure and ambiguous and there was little co-ordination of policy." And this despite the fact, as Roberts admits, that the Treasury's control of expenditure made it the dominant Department. Lack of co-ordination was not of course new, and nothing was as bad as what Kitson-Clark calls the "administrative bric-à-brac" which survived from the eighteenth century. But the Treasury was now a central Department as it never had been in the eighteenth century, and was faced with an expansion of government quite without precedent. It was to this new situation that the Treasury failed to adapt itself. The rapid expansion of departments such as the Board of Trade seems to have taken place without the Treasury, and therefore without anybody, seriously considering the administrative consequences. Likewise the Treasury's interest in the School Inspectorate appears to have been purely financial. Relations with the Board of Health similarly do not appear to have extended beyond financial considerations, there being no attempt to see how this department should fit into the general sphere of government, central or local. The only references to the Treasury in the
Poor Law Commission Act of 1834 were in the section which dealt with numbers and staffing. This clear failure on the part of the existing government machine to plan its own expansion in a coherent fashion underlines the fact that the Treasury, as the central department, did not have a sufficiently imaginative approach to administrative problems. Scope for initiative existed at this time as it has scarcely ever existed since in peace time, and certainly had never existed before, yet the Treasury manifestly failed to undertake the tasks required of it.

The failure to organize the expansion of government is a symptom of a failure on the Treasury's part to take a broad approach to Civil Service affairs. Although departmental differences were bound to survive to some extent, and indeed should have in the interests of flexible administration, the Treasury clearly did not take up all the implications about centralization contained in the reform proposals of the years 1848-1870. It was not until 1919 that the Treasury had a separate Establishments Division to deal with Civil Service affairs. In 1872, when Robert Lowe referred to the Permanent Secretary of the Treasury as being at "the head of the Civil Service," he can have been doing no more than the Treasury's undisputed authority on Civil Service affairs, should it care to use it. He cannot conceivably have meant that the Treasury was genuinely a Department for Civil Service Affairs. On the contrary, the Treasury had never really broken out of the straitjacket of its financial thinking. The paradox lies in that the Treasury's authority was based upon the authority of the Crown over Crown
servants, and this authority over the Civil Service was never theoretically challenged. Yet the Treasury's attitude towards the Civil Service appears to have been largely determined by its concern, as the department of the Chancellor of the Exchequer, to limit government expenditure. Thus the dual headship of the Treasury, which could have been the source of an incontestable right to organize both the structure and the costs of the administration at the same time, and in a coherent fashion, was not made full use of. In so far as concern for financial problems proved to be an impediment to taking a wider view on Civil Service affairs, the dual headship was as much a source of weakness as it was of strength.

The failure of the Treasury in the nineteenth century to take a systematic approach to the organization of the Civil Service is symptomatic of the general failure, common to most politicians and administrators, to take an objective view of the process of administration. The method of controlling finance in the nineteenth century showed how retrenchment and balanced accounts tended to preclude a real analysis of the policy in question, or its wider implications for the activities of government. Likewise, control of the Civil Service did not lead to any broad appreciation of the position or importance of administration. Even those bodies which might have been expected to take a broad view - the Royal Commissions and the Select Committees - largely confined their inquiries to internal structure without relating it to the job that was being done or should be done. Though this is less true of the Ridley Commission than of the earlier inquiries, the approach of the Northcote-
Trevelyan Report, which discussed the expanding work of government in one sentence, does not seem to have died.

The attitude of the Treasury was not due to a lack of systematic thinking nor, needless to say, of men capable of systematic and penetrating analysis. Welby, if sometimes a muddled man, had a wide grasp and understanding of what he dealt with. The same would apply to the other permanent heads of the Treasury and to the Chancellors of the Exchequer. Men of the intellect and perception of Gladstone, Disraeli or Northcote would not have been led into acting as they did merely by the complexity of the situation. Nor would they have been seriously discouraged from acting by the fear of crossing swords with permanent officials. Moreover they were all, politicians and civil servants alike, men who set great store by consistency and order. But the climate of opinion in which they worked was such that there was no great incentive or pressure to take a wider view of Civil Service affairs. Because many of the agencies of government were new, as indeed was the whole idea of an independent Civil Service, and because most men appeared unaware of the full implications of the expansion of government, it is perhaps understandable that people through most of the nineteenth century did not look at administration with the same objectivity as later generations, who were more aware of the potentialities of and need for active government. In the nineteenth century the administration was run by men for whom retrenchment was the paramount concern, as well as the main criterion of good government. The idea of public economy was embedded in the Englishman's mind before government started to expand or the need for centralization
became apparent, and it thus served as a block to a more objective approach. The attitude of the Treasury, and of most men in public affairs, indicates that there had to be a deep change in thinking before this block was removed. The impact of government expansion, and the realisation that retrenchment no longer had universal support among the educated public was not sufficient to promote such a change in the thinking of the generation which reached powerful positions around or shortly after the middle of the nineteenth century.
FOOTNOTES

1. See the Oxford Dictionary, which dates the first use of the term as 1785. No historians appear to have challenged the opinion of the O.D.

2. E. Hughes, "Civil Service Reform, 1853-5." Public Administration, 1954, XXXII.


4. E. Hughes, op. cit.
   "Report on Civil Service Organization."
   G.B. Sessional Papers, Commons, 1854, XXVII, pp. 1-23.
   The Report was dated November 1853, and was presented to Parliament in February 1854. Hereafter it will be cited as the Northcote-Trevelyan Report.


6. Select Committee on Civil Services Expenditure, 1873.
   G.B. Sessional Papers, Commons, 1873, VII.


"Most convincing of all arguments is the plain fact that Wellington lost the election of 1830. Never before since the days of the Hanoverian succession had the ministry of the day, backed by the influence of the crown, been defeated at the polls." p.505.


15. P.G. Richards, _op. cit._, p. 36.


18. E. Hughes, _op. cit._, p. 19.


20. E.W. Cohen, _op. cit._, p. 34.

J.E.R. Binney, _British Public Finance and Administration, 1774-1792_, Oxford, 1958, p. 179. Over half of the 14,000 revenue staff were appointed by the Treasury, the exception being to some extent in the Excise Department, but chiefly in the Post Office, which had its own political head.

21. Considerable complications can arise over the definition on "civil servant." The Tomlin Commission on the Civil Service in 1931 took as its definition, "Those servants of the
Crown, other than holders of political or judicial offices, who are employed in a civil capacity, and whose remuneration is paid wholly out of monies voted by Parliament."

N.E. Mustoe, in The Law and Organization of the British Civil Service, London, 1932, discusses the problem of a clear legal definition of a civil servant. The dispute centres over where lies the borderline between Crown servants and other employees of public bodies. Is the Civil Service to include officials of the Post Office, Inland Revenue, Customs, as well as the employees of such government enterprises as the Ordnance Factories and the Royal Dockyards? Is it to include the non-established staff of central government offices such as temporary clerks and cleaners? Is it to include a policeman, who holds a Crown commission but is appointed and dismissed by a local Watch Committee? Mustoe concludes that "it would appear, however, that in ordinary language the phrase is used to describe the body of persons who are engaged upon executive administration in the work of the government, and it is submitted that the Civil Service is the body of officials in the service of the Crown who discharge duties belonging to the exercise of the King's executive powers, but not being members of His Majesty's naval, military or air forces, and not being holders of political offices."


This definition of Mustoe's has been used here.

22. Treasury Minute of 10th August 1821. It said that promotion between grades should take account of ability. G.B. Sessional Papers, Commons, 1822, XVII, pp. 3-9.


24. Ibid., p. 147.

25. Select Committee on Superannuation Allowances, 1856. G.B. Sessional Papers, Commons, 1856, IX, p. 8.

27. Significantly there were no inquiries into the workings of the Civil Service before those, largely under the instigation of Trevelyan, into the various departments from 1848 onwards. These inquiries led directly to the Northcote-Trevelyan Report of 1853. Before this period inquiries had largely been confined to individual matters such as sinecures or fees. After this time there were the following inquiries into the Civil Service as a whole.

Civil Service Appointments, 1860.
Civil Services Expenditure, 1873.
Playfair Commission on the Civil Service, 1875.
Ridley Commission on Civil Establishments, 1887-90.

28. Select Committee on Civil Services Expenditure, op. cit., p. 459.

G.B. Sessional Papers, Commons, 1888, XXVII, p. 11.

G.B. Sessional Papers, Commons, 1887, XIX, p. 1.

31. Ibid., p. 2.

32. Loc. cit.

33. Lord George Hamilton found, when he was at the Admiralty, that there was a continuous and unnecessary correspondence between his Department and the Treasury over small changes and new appointments, which were bound to arise all the time in such a large office but for which Treasury sanction was required.


34. Select Committee on Civil Services Expenditure, 1873, op. cit., p. 668.

35. Ibid., p. 675.


37. Select Committee on Civil Services Expenditure, 1873, op.
Lowe and Baxter were not on good terms, which may have caused Baxter to emphasize the difference of opinion.


39. Superannuation Act, 1810. 50 George III, c. 117.

40. The Select Committee on Public Income and Expenditure, 1828, said that, "the Act of 1810, not intentionally indeed, but in practice, took from the Treasury not only the power of granting Pensions beyond the limits prescribed, but virtually divested them of all discretion in granting them even within those limits; because the provisions of the Act became the rule to which the Applicants appealed, and which the Treasury could not refuse to apply impartially in all cases." Raphael, M., op. cit., p. 135.


42. Superannuation Act, 1834. 4 & 5 William IV, c. 24, Section 24.

43. Superannuation Act, 1859. 22 Victoria, c. 26. By this Act the Treasury was able to waive the ordinary requirements for men who entered into the Service at a later age, having gained outside a skill they could not have gained in the Civil Service. The Treasury could grant special allowances to those who had to leave their jobs early, or whose offices were abolished. Above all, under section 8, the Treasury was not to grant any pension until it was sure the man concerned had worked diligently throughout his time.


46. Trevelyan had been an administrator in India from 1826 till 1840. He returned to India in 1858, and worked there till his death in 1880.

It is interesting to note that the articles on him in the *Dictionary National Biography* devotes a mere twenty lines to his eighteen years at the Treasury, out of a total of three and a half columns. Similarly the *Times*, in its one and a quarter column obituary notice, gives fifteen lines to the time Trevelyan was in the Treasury.

*Times*, 21st June, 1886.

It was in India that Trevelyan met Macaulay, who was a leading proponent of the idea of competitive entry, though not of course the originator of it. Personal connections were important in all aspects of Civil Service reform. Trevelyan knew Macaulay, and later married his sister. Macaulay knew Jowett; Jowett and Lowe were on good terms. A fascinating sidelight on the connections between the Macaulays and the Trevelyans, as on the connections between many other intellectual bourgeois families, is to be found in an essay by Noël Annan entitled, "The Intellectual Aristocracy." It appears in ed. J.H. Plumb, *Studies in Social History: A Tribute to G.M. Trevelyan*, London, 1955, pp. 241-87.

47. G.B. Sessional Papers, Commons, 1875, XXIII, p. 100.


50. Select Committee on Civil Services Expenditure, 1873, op. cit., p. 664.


52. Order in Council of 21st May, 1855, appointing the Civil Service Commissioners.
G.B. Sessional Papers, Commons, 1856, XXII, p. 364.

53. See Order in Council of 21st May, 1855, op. cit.
Also the Order in Council of 4th June, 1870, introducing competitive examinations. The new regulation to be applied
by the Civil Service Commission had all to be approved by the Treasury.
G.B. Sessional Papers, Commons, 1873, VII, pp. 728-30.


55. The whole affair was the cause of a very severe dispute, which was made public in the hearings of the Select Committee on Civil Services Expenditure, 1873.


Lingen suggested, taking an approach not dissimilar to that of Lowe over the Treasury and the Cabinet, that the Treasury was only an instrument to apply an Order in Council. The Treasury "merely received the Orders in Council as acts of the Government. The Treasury becomes the executive of the Order in Council simply by virtue of its financial position."

Select Committee on Civil Services Expenditure, 1873, op. cit., p. 394.

Constitutionally this is clearly wrong, since the Crown, acting through its first minister, has unlimited power over its servants. But the quotation is interesting in that it demonstrates again how the leading Treasury officials in fact only envisaged the power of the Treasury in terms of finance, and the prestige that the control of finance gave their department. Lingen appears unable to have thought of the question of Treasury power in terms of the authority of the First Lord, which as far as the Civil Service was concerned is what really matters.

57. Civil Service Inquiry Commission (Playfair), op. cit., p. 23.

G.B. Sessional Papers, Commons, 1888, XVIII, p. xii.

S.E. Finer, "The Individual Responsibility of Ministers." Public Administration, 1956, XXXIV.
E. Hughes, "Sir J. Stephen and the Anonymity of the Civil Servant." Public Administration, 1958, XXXVI.

G. Kitson-Clark, op. cit.

F. Willson, "Ministries and Boards: some Aspects of Administrative Development since 1832." Public Administration, 1955, XXXIII.


61. See the Evidence of Mr. Giffen of the Board of Trade to the hearings for the Second Report of the Ridley Commission. He complained that there was no discussion of a request for higher expenditure on Establishments, only acceptance or a blank refusal.

Royal Commission on Civil Establishments, op. cit., p. 334.


On page 16 the authors present their calculations on the proportion of government employees out of the whole labour force. They reach their conclusions by correcting the figures presented in the censuses of 1851 and 1891.

On pp. 17-18 the authors show the break down of the 1851 census figures. Excluding the military and the Indian Civil Service, of the 40,000 civilian employees of the central government in 1851, 25% were in the Post Office, 40% were in the Inland Revenue and Customs & Excise, and 20% were messengers or worked in the Royal Dockyards and Ordnance Factories. Of the remaining 5,000, 1,000 were Peers or in the Household, and 2,000 were civilian employees in Naval and military establishments. This left 1,628 in the civil departments of the central government. The Treasury employed 96, the Colonial Office 49, the Foreign Office 85, and the Board of Trade 103. Of the Home Office employees 23 were factory and mines inspectors. The Poor Law Board employed 84, and the Board of Health 30.

1851 Census, G.B. Sessional Papers, Commons, 1852-3, LXXVIII, pp. cccxl-cccl.

63. F. Willson, op. cit.

64. G. Kitson Clark, op. cit.

For example Trevelyan had written to the Morning Chronicle about Ireland and probably helped arrange the premature release of the Northcote-Trevelyan Report to the
Edwin Chadwick used newspapers to spread his views. Roland Hill approached M.P.'s to secure the dismissal of his Joint Secretary at the Post Office. In 1841 the Joint Secretary of the Board of Trade published anonymous tracts against protection.


68. G. Kitson Clark, *op. cit.*


71. 4 & 5 William IV, c. 76, s. vii and s. ix.

72. *Hansard, Commons, Third Series, volume 210, column 848, April 5th, 1872.*
CHAPTER V

The Treasury and the Centralizing of Decision-making

The Treasury's close relations with the Revenue Departments, and its position as the central Department of government, meant that it had to co-ordinate work between different sections of the administration. This work differed radically from the Treasury's activities in supervising expenditure, routine financial administration, or the Civil Service. Since the eighteenth century the Treasury and the Revenue Boards had guarded the principle that all communications between government Departments and these Boards had to pass through the Treasury. The Revenue Boards valued the protection of the Treasury from interference by other sections of the administration. For its part the Treasury appreciated that by making itself the sole channel of communication to the Boards it was greatly strengthening its hold over them, and so over the early stages of the process of financial administration. As a consequence the Treasury had to take upon itself the task of co-ordinating the work of the Revenue Boards with all the other Departments of government.

Since its inception in 1660 the General Post Office had been envisaged more as a source of revenue than as a means for providing efficient communications. From 1663 to 1685 the profits of the Post Office were the income of James, Duke of York. From 1685 until 1760, when George III surrendered the hereditary revenues in return for a larger Civil List, these
profits formed part of the income of the Crown. The Treasury
naturally concerned itself with a source of revenue as impor-
tant as the Post Office, which during the eighteenth century
tended to lose its political independence. This all helped to
cement the relationship between the Treasury and the Post Office,
and to reinforce the need for the Treasury to act as a liaison
with the rest of the administration. The closeness of the
Treasury's relations, and its right to exercise control, never
appeared to become a matter of debate. The interest of the
situation lies in the way in which the Treasury was able to co-
ordinate the work of this subordinate Revenue Board with all
those other sections of the government with which it was bound
from time to time to have contact.

Part of the incentive behind the Treasury's involvement in
Post Office affairs in the eighteenth century was the amount of
patronage available. The large number of Post Office officials
in all areas of the country provided a very convenient means of
bolstering political influence. By the start of the nineteenth
century it appears that the Treasury appointed the officials in
nearly all the country Post Offices in England and Wales. Though it was not until 1855 that the Treasury started to re-
store provincial patronage to the Post Office, the patronage had
ceased to be of great political significance by the 1830's. In
the nineteenth century, if there was an incentive behind the
Treasury's concern for the Post Office beyond its normal desire
to control the revenue, it was the hope that it could ensure
economy in this huge and complex organisation. It has been
suggested that the Treasury's attempts at exercising a minute
control over the Post Office in the nineteenth century were largely ineffective, but the Department nevertheless jealously guarded its authority.

One aspect of this control which was of special importance in inter-departmental relations was that over the foreign mail contracts. Indeed since overseas mails touched on relations with other powers and on general naval affairs, the government's concern for them went back almost as far as its concern for postal communications in general. But the introduction of steamships in the nineteenth century, the acquisition of further overseas possessions, and the great extension of shipping lines, radically altered the way in which it was most efficient to transport the foreign mails. Although in 1837 the Admiralty had taken over from the Post Office the responsibility for foreign mails, it became apparent by the 1840's that in nearly every case it was cheaper to use hired packets than Her Majesty's ships, as had usually been the custom till that time. A Select Committee of the House of Commons reported in 1849 that contracts with private shipping lines were preferable to using naval vessels, and emphasized the need for these contracts to be drawn up with great care. The Committee however was unable to decide whether the contracts should be put to public tender or not.

When overseas shipping services were relatively uncommon and dangerous undertakings it was the custom for the government to offer considerable inducement to the firms in question. Quite often the government had established a mail service on a route for political reasons, where there was inadequate commer-
cial justification for regular sailings. In return for agreeing to run a regular service throughout the year, at a set average speed, and with heavy penalties for delay, the firm would receive a subsidy to cover the extra cost that these stipulations entailed. In providing a subsidy the government felt it was helping to strengthen links with the colonies, encourage the spread of trade and British influence, and ensure the construction of large and powerful ships which would be valuable in time of war. Because of this military aspect of the overseas mail services the contracts usually specified the size, power, and speed of the ships to be used.

The advantages of such services may have been clear in the minds of the government, but the cost was considerable. In 1852 the postal revenue was only slightly over half the cost of the subsidies. A Select Committee of the previous year, while accepting that the government alone could organize the services, suggested that much money could be saved if these stipulations were relaxed and smaller ships were permitted. The Committee suggested further that where there was a large number of ships on a particular route, as for instance across the Atlantic, the contracts should merely arrange for the transport of the mail bags as ordinary cargo.

The relaxation of the terms of the contracts may have lowered costs, but it did not lessen the involvement of the government, or the need for the Treasury to co-ordinate negotiations. Nor did it end all complaints about excessive costs. A Select Committee of 1860 examined some of these complaints, concentrating especially on the way in which the contracts were
entered into. It noted a "want of concert, and an absence of a clear and well defined responsibility" between the government bodies involved - the Admiralty, the Post Office, and the Treasury. It pointed out two specific weaknesses in the way the negotiations for the contracts were carried out. First, it suggested that Parliamentary control was inadequate. Secondly, it noted that "great defects exist in the means provided, under the present system, for bringing under the notice of the parties by whom such contracts are to be authorized all the materials and considerations which are essential to a right consideration being come to." The Committee further recognized that the "power of authorizing them to be formed, and of prescribing their terms and conditions, is acknowledged to belong to the Lords of the Treasury," although under the present negotiating arrangements there had recently been cases where the Treasury had reached a decision "without having before it the elements necessary for a right determination."

Having clearly identified procedural weaknesses, which had led to unsatisfactory contracts, and which all at some point concerned the way in which the Treasury conducted its affairs, the Select Committee of 1860 proceeded to suggest remedies. These remedies were of two different kinds - those intended to introduce stricter supervision of contracts, and those intended to introduce a more efficient procedure. In the first category the Committee emphasized the need to extend Parliament's opportunity to see the contracts before they were finally settled. Accordingly the government changed the Standing Orders of the House of Commons in 1860 so that all contracts had to lie on the
Table of the House for one month before they became legally binding. In 1869 the then Postmaster General, the Marquis of Hartington, changed these regulations again so that the contract had actually to receive an affirmative vote of the House before it became binding.

The procedural remedies suggested by the Committee all had direct implications for the Treasury. The job of negotiating the contracts was returned from the Admiralty to the Post Office, and thus to a Department under far closer Treasury supervision. The Committee also outlined five points, which it was hoped would ensure a more efficient system of negotiating contracts, and so prevent a repetition of the sort of complaint that had been raised in the late 1850's. The first of these points held that "whatever may be the distribution of the business, the responsibility of the Treasury should be complete and effective." The Treasury was not to be a mere sanctioning agent, but must see that all interests involved were fully consulted. Second, the departments were to send the Treasury all the information they felt might be useful in the negotiation of mail contracts. Third, those concerned must fully implement the decisions of the Treasury. Fourth, the Treasury should see a draft contract and circulate it around all the departments concerned. Fifth, the Treasury must be kept informed of the way in which the various schemes were working out. These points all indicate that in the view of the Committee the Treasury had a very special duty to perform, which was one that no other department was in a position to carry out.
The disputes which had arisen over the mail contracts during the 1850’s had shown that there were potentially two sorts of difficulty that the Government could face. The interested parties, at home or abroad, might suggest that they had been unfairly treated, and where this involved a Colonial Government the repercussions could be considerable. Alternatively the press and Members of Parliament could level the charge that public money had been misspent by giving too high a subsidy. As the five points laid down by the Committee in 1860 indicated, the Treasury was not merely there to ensure that money was well spent, although this was an important part of their job, but to see that the many interests involved were effectively reconciled. An ocean mail contract could touch the affairs of the Board of Trade, the Admiralty, the War, Colonial and Foreign Offices, as well as the Post Office and the Treasury. Thus when the Treasury issued instructions to the Post Office to carry out detailed negotiations with the firm in question as to the speed, cost and frequency of the service, they had to be sure there existed no possibility objections would be raised in the future, either by these departments or by the countries and organizations with which they dealt.

The negotiation of ocean mail contracts thus touched on rather different aspects of the Treasury’s work from the exerize of control over expenditure or the Civil Service. When dealing with the overseas mail contracts the Treasury had only to ensure that the Post Office acted as an integral part of a large administrative machine. Its actual authority over the Post Office was never questioned, although it went back to the
days of political patronage and disorderly finance. Indeed the issue is one of its ability to co-ordinate decision taking in a way both unnecessary and impossible when it had first established its authority over the Post Office.

In normal circumstances therefore the Post Office or possibly the Colonial Office would suggest to the Treasury that a new contract be drawn up, or that certain steps be taken to tender for one that was about to expire. If the Treasury approved the scheme in principle the Post Office would be instructed to invite offers from the shipping firms. The Post Office would sift these offers and send the appropriate ones to the Treasury with its recommendation about which should be accepted. In the meantime the Treasury would have been in contact with the other departments involved in the service on this particular 'route; and while nearly always accepting the Post Office's advice on which of the offers was the most suitable, would thereby ensure that nobody's interests were harmed. Once convinced of the feasibility of the plan the Treasury would send detailed instructions to the Post Office on how it was to negotiate the contract. A draft would later be returned to the Treasury who would again clear it with other departments. If nobody raised objections the Post Office would close the contract on instructions from the Treasury. The Treasury would at the same time draw up Minutes describing the terms of the contract and giving reasons why the Government had undertaken it. The Minutes were attached to the contract when it was laid before the House of Commons for approval. The approval was normally only a formality,
and therefore as "often as not" the service started before it was given, even though the contract was not at that stage legally binding.16

From the start the Zanzibar mail service of 1873 was different from the other services governments had sponsored over the years. It was introduced as part of a policy to stamp out the East African slave trade that the Gladstone Government had been forced to adopt by a public opinion aroused by the reports of such explorers as Livingstone. The details that Livingstone and others revealed showed that there was still a very considerable slave trade on the East Coast of Africa which had remained unaffected by the abolition of slavery in the Empire in 1833. Moreover the long standing British policy of bolstering the tractable Sultan of Zanzibar, as the best way of protecting her interests in that area without great expense, meant that Britain was a party to the trade, since the Sultan condoned the activities of slavers in his own dominions.17 A sense of injured national honour thus combined with humanitarianism in pushing the government to act against the slave trade.18 A Select Committee of the Commons reported on East African slavery in 1871, and called for the vigorous use of "all legitimate means" to bring it to a close.19 In the face of this evidence and of the great pressure of public opinion the government announced in the Queen's Speech of February 1872 that it would take steps to abolish the slave trade. It was to repeat this pledge in the Queen's Speech of the following year.20

The two measures that the government decided on were ex-
tensions of its traditional East African policy of influence. It would negotiate a new treaty with the Sultan to deny him the right to have even a domestic slave trade within his own kingdom, and it would establish a line of mail steamers from Aden to the Cape of Good Hope, calling at Zanzibar. Both these steps were concessions to public opinion, and done with a full awareness that anything abrupt enough to endanger the stability of the Sultan's regime was inimical to British interests and the abolition of slavery in the area. The new treaty was to be negotiated by a high level British diplomat sent to Zanzibar to try to persuade the Sultan of the economic as well as the humanitarian objections to slavery, and thus bring him slowly round to accepting abolition. Gladstone had many qualms about the legitimacy of forcing the Sultan, since the internal trade was his own concern, but accepted that the government had no choice but to act. The intention of the new mail steamer service was to help open the area to commerce and "civilization," and so in the long term to help remove the conditions under which slavery flourished. The Aden-Cape mail service was but one aspect of the government's anti-slavery policy, which in its turn was an extension of the earlier policy of influence. The purpose of the mail service in the eyes of the government was thus chiefly political and humanitarian.

The Government's commitment to taking steps to abolish the East African slave trade had big repercussions on the negotiation of the Zanzibar mail contract. The fact that the decision was taken in an atmosphere of considerable public
excitement meant that the Government was unlikely ever to be able to reverse its policy. It was saddled with an entirely new service, and therefore with all the extra expenses and difficulties that this involved. But far more important, because the service was the result of a political decision taken in Cabinet, and not of an administrative decision formed on the basis of evidence about the need for better postal communications, the initiative tended to come from the Treasury and not from the Post Office. The Treasury was involved in the actual detailed decisions about the contract, rather than with the mere approval of the work done in another Department and the reconciling of the various interests that it touched upon. In taking the initiative the Treasury was undermining its position as the clearing-house of information between the interested parties. It had an interest in despatching the matter as quickly as possible, and therefore in neglecting the restraining influence it would normally have exercised itself in contacting other departments.

As a result of the Cabinet's decision on anti-slavery policy in the autumn of 1871 Robert Lowe, the Chancellor of the Exchequer, contacted the Secretary of the Post Office, John Tilley, and asked him to make enquiries about the likely cost of a service between Aden and the Cape calling at various places on the way. Lowe had a very poor opinion of the Postmaster General, William Monsell, and from the start dealt only with those in whose ability and efficiency he had confidence. John Tilley was one such man. Because Monsell was not in the Cabinet, and therefore presumably not immediately
privy to the decision on anti-slavery policy, it was easier to pass him by than it would have been most departmental ministers. Tilley received two replies from his enquiries. One, from Mr. Hamilton, manager of the Union Steamship Company, offered to do the service from the Cape as far as Zanzibar, but not on to Aden. There would be one ship each way every month, the subsidy was to be £29,000 per year and the contract was to last for seven years. The other offer came from Mr. Monteath, Director General of Posts for India, who at that time was home in England on leave. He said that the British India Steam Navigation Company, with whom he normally did business, would run a service every four weeks from Aden to the Cape for a subsidy of £27,365 "as part of the general Indian contract." Of this sum £16,315 was for the stage of the journey between Zanzibar and the Cape; the contract would have to last ten years for these terms to be given. This offer therefore was not received direct from the Company. Tilley passed this information on to the acting private secretary to the Chancellor on December 19th, 1871, who in his turn gave it direct to Lowe. In his evidence to the Select Committee which examined the whole affair in the summer of 1873, Lowe is emphatic that at this stage the Government had not reached any decisions on how the service was to be established. He was only gathering information so that the Government could be "guided in the making up of our minds whether we would enter into the plan or not." This is almost certainly an overstatement since it is highly unlikely that the Government could have gone back on its word about trying to
abolish the East coast slave trade, such was the strength of opinion. But the evidence of the other witnesses before the Committee corroborates Lowe's contention that at this stage the Government had not reached any final decisions. The Treasury, following usual practice, then contacted the other departments involved. In response to this, on January 10th, 1872, the Colonial Office sent despatches to the Governments of the Cape and of Natal outlining the British Government's plans, giving details of the offer of the British India Company by way of example, and inviting the two Governments to contribute towards the cost of the subsidy. Only Natal offered to help pay for the service. The Foreign Office for its part, in response to the request of the Treasury, raised the matter with those European Governments with an interest in the area, and invited them to help in the suppression of the slave trade. They all replied in a noncommittal way.

The complications arise from the fact that the Union Company also held the contract for the regular direct service from Britain to the Cape by the Atlantic route. They had carried out the service since 1857, and in 1868 had had their contract renewed till 1876 with a subsidy of £20,000 a year and a time limit of thirty seven days for the voyage. Early in January 1872 they had approached the Post Office and suggested that their contract be extended until 1881. In return they would immediately start making the voyage in thirty four days, and in thirty days in 1873, and would surrender what amounted to about £1,900 a year from their subsidy. On 29th January, when his department had examined the proposal, Monsell wrote
to the Treasury recommending that the offer be accepted as a
good bargain for both the British Government and the Cape.
William Baxter, Secretary to the Treasury, disagreed with the
Postmaster General, and told the Chancellor so when he handed
the contract papers on to him in the usual way. He strongly
disliked awarding contracts over such a long period. The
Treasury did not inform any other departments of this offer
because the papers stayed in the Chancellor's private office.
Nothing further was done until April 11th, when Mr. Hamilton of
the Union Company, having learned that the matter was being
considered by the Treasury, at his own request had an interview
with Lowe. The object of the interview was to see if he could
expedite a decision on the extension of the Western route con-
tract. In the course of this interview Lowe announced that he
had decided that the Union Company's two proposals, for the
direct Cape route and for the Zanzibar service, would henceforth
be negotiated as one. This done, both the Treasury and the
Union Company allowed things to lapse for a while.

On May 16th, Hamilton, as he was to tell the Select Com-
nittee the next summer, read in a cutting from a South African
newspaper of the despatch that the Colonial Office had sent out
the previous January, and therefore of the cheaper offer that the
British India Company had made for the route. This was the first
time that he was aware that the Union Company had a rival, and
it made him realise that by the time the negotiations were com-
pleted it was unlikely that the total subsidy from Aden to the
Cape would amount to more than about £25,000. He accordingly
approached the British India Company about making a combined
offer. On June 25th the two Companies submitted a combined contract to the Chancellor. Under this arrangement the British India Company would do the Aden-Zanzibar service for £10,000 a year, and the Union Company the Zanzibar-Cape service for £15,000; both contracts were to run for ten years. It was quite contrary to normal practice that this offer should be made direct to the Chancellor, who told nobody that it had arrived. Both the Treasury and the two Companies considered that this joint tender of June 25th superseded any earlier offers they had made for the East coast route.

During the summer of 1872 a fresh spate of reports from Livingstone, and a series of large and influential meetings in London, prodded the Treasury into further action. On August 13th the Chancellor wrote to the Post Office enclosing a copy of the joint tender of June 25th and telling them to negotiate a detailed contract from it. The Eastern and Western route tenders of the Union were to be considered as one for the purposes of these negotiations in the hope that the Government would thereby win better terms. Since the Post Office already knew all about the Western offer of the Union Company the Treasury merely alluded to it in this letter. A copy of the letter was sent on to the Colonial Office, who were therefore not explicitly told of the proposals to extend the Western contract. The Colonial Office forwarded the August 13th letter to the Cape. In its reply the Cape Government made no mention of any plans about the Western direct route to Britain, indicating that the allusion had not been strong enough to inform those not already acquainted with the
facts.

Though the Post Office had previously known nothing of the joint offer it proceeded to open negotiations, and managed to win certain concessions from the Union Company. On October 29th 1872 the Post Office sent draft contracts to the Treasury for approval, and these were authorized on the following day. The Post Office and the respective Companies signed the contracts shortly before Christmas, though the British India Company started their service from Aden to Zanzibar early in December. The Union Company started its stage of the Zanzibar run early in February 1873.

Opposition to the Government's proposals started in November 1872, after Lowe had authorized the signing of the contracts. In the middle of the month the Cape Merchants in London heard of the decision to extend the Western contract, and held a protest meeting. A week later they sent letters and "extensively signed" memoranda to the Post Office and the Treasury objecting to the extension. They held that the Cape had not been consulted and there existed an alternative shipping line which was able to do the service more efficiently, so that the contract ought to have been advertized for public tender. They objected to the high rate of 1/- per ½ oz. letter, which might have been justified in 1863 when it was introduced, but which was not any longer with the enormous growth in mails, especially since the discovery of diamonds at Kimberley in 1867. The Cape Merchants showed that since January 1872 there had been another Company on the direct route to the Cape - that of Mr. Donald Currie - which did the trip in 30 days or
less and carried a ½oz. letter for 4d. Currie had played no
small part in organizing the protests of the Cape Merchants,
and to that extent Lowe was justified in thinking the protests
were merely a lobby for Currie. But it is quite clear that
this competition had forced the Union Company to improve its
service very considerably in order to keep passengers and carg­
go. The Cape Merchants had the quite legitimate complaint
that there now existed a firmly established line which would
prove a very strong rival to the Union Company in any public
tender. Indeed during August 1872, before the decision to
extend the public contract had become public knowledge, and
therefore before Currie could have had any interest in manu­
facturing opposition, there had been letters in the Times
pointing out how much more efficient the Currie ships were
compared with those of the Union Company. 27

The opposition soon spread to the Cape, where people were
angered that they had not been consulted about the extension
of the Western contract for the Union Company. On January
3rd 1873 the Cape Governor reported this opposition back to
London, and on February 19th the Times mentioned a large meet­
ing in Cape Town where the new arrangements were "universally
condemned." 28 In the meantime the Treasury carried on its
usual procedure and prepared descriptive Minutes, which it
laid before Parliament with the contracts. These Minutes
outlined the terms of the contracts in non-technical language,
but did not make clear as far as the Union Company was con­
cerned that the contracts had been negotiated as one. How­
ever the contracts were never brought to a vote before the
House, because in the face of mounting opposition in Britain and the Cape Lowe withdrew them both. The arrangements on the Western route therefore reverted to what they had been before the Union Company applied for its extension, so that the contract would come up for renewal in 1876 and presumably be put to public tender.

This still left Lowe with the problem of what to do about the East Coast service. The service was an integral part of the Government's anti-slavery policy, and so could not be abandoned. Moreover at that time Britain was exerting considerable diplomatic pressure on the Sultan, and it was important that the British envoy, Sir Bartle Frere, received all the backing he needed. Lowe had negotiated this contract in conjunction with the Western one which he had now withdrawn, and the Union Company offer of June 25 1872 for a £15,000 subsidy had been made in the knowledge that both routes were to be negotiated as one. Furthermore the Union Company had already started to operate the Eastern route, and had spent considerable sums on new ships for the purpose. In view of this, and because he wanted to start the service as soon as possible, Lowe immediately offered the Company better terms for the Eastern route. He was quite aware that the £15,000 had been an artificially low offer made in the hope that it would improve the Company's chances in winning an extension of the Western contract. He therefore revived the original offer which had been made back in November 1871, but which had been superseded by the joint tender of June 25th, 1872, reduced the suggested subsidy by £3,000, and asked Tilley to enquire whether the Union Company
would do the Zanzibar-Cape service for £26,000. No normal negotiations took place. The Government merely offered £26,000, and after certain hesitation the Union Company accepted.

The press and M.P.'s levelled their attack against Lowe on four counts. Though the desire to discredit the Government, and Lowe personally, was an added incentive, there was a solid basis for the attack which was obvious to all sides. They accused him of deceiving Parliament when he first presented the contracts in February 1873, because the explanatory Minutes had not made clear that the arrangements for the two Union Company services had been connected. Therefore, according to the Times he had led Parliament to believe that the anti-slavery service was only costing £15,000, while in reality it was costing more but the rest was being defrayed out of the Union Company's profits on the Western route. It was suggested that Lowe's willingness to raise the subsidy when he had abandoned the Western contract proved this point. Secondly it was suggested that Lowe was wasting public funds by paying out the extra £11,000 merely to free himself from the position his own incompetence had forced him into. Thirdly Lowe was accused of forgetting all about the offer from the British India Company of December 1871 to do the complete Aden-Cape route for a subsidy of £27,365. He had plunged straight into the new arrangements for the Eastern service without stopping to consider whether the Union Company could make the best offer when it was not combined with their Western contract. And fourthly Lowe was accused of mixing up a political service, the Eastern, with a normal postal one in such a way as to cause confusion. These
points, especially the last three, were the subject of an en¬
quiry by a Select Committee of the House of Commons which re­
ported in July 1873 and recommended that the modified Eastern
route contract be dropped. But since the Union Company had al­
ready incurred considerable expense they might be treated leni­
ently and given first chance to make a cheaper tender. The
Government approached the Union Company again, who agreed to
lower the subsidy to £20,000, and this arrangement the House
accepted on August 4th, 1873.

The important consideration is not that Lowe had opened
himself to attack from political rivals, but that the decisions
he had reached were later reversed. Increasing opposition in
Britain and the Cape forced him to withdraw the Western con­
tract, and a Select Committee of the Commons had rejected the
arrangements he had made with the Union Company for the
Zanzibar–Cape service. While there may be many instances
where a minister, even one as senior as the Chancellor of the
Exchequer, is forced to back down within the privacy of his
own department or of the Cabinet room, it is rare indeed that
final Treasury decisions have to be retracted because of public
and Parliamentary opposition. It is a severe indictment on
all those concerned that there should have been such a total
miscalculation of the likely impact of the contracts. It
seems that Lowe's method of dealing with the matter explains
the shortcomings of the eventual decision. If the Treasury,
or more especially Lowe himself, had only taken the decisions
after the Treasury had sifted all the available information
on the mail contracts and their probable consequences, then
the difficulties encountered on this occasion could have been avoided. It would appear moreover that the decision-taking procedure outlined by the Select Committee on Packet and Telegraphic Contracts in 1860 provided the necessary safeguards and checks.

The events over the Zanzibar and the Western contracts appear to have followed the course normal for all mail contracts until Lowe decided he would consider both Union Company tenders as one. Before that date the usual preliminary sounding out of other departments had taken place, and the Post Office, in the usual way, had passed on its recommendation about the extension of the Western contract. But because Lowe had undertaken to deal with the mail service aspect of the Government's anti-slavery policy, he and his personal staff took decisions in a way that meant affairs did not pass through the usual channels. And once he had decided to link the two routes the discussions over the Western contract were also taken out of normal departmental circulation. This was not, during the early part of 1872, because of any unbearable pressure from public opinion. Though he was acting in a field restricted by the need to abolish slavery, it was not until the summer of 1872 that pressure mounted to the point where a choice had to be made at once. The decision to link the contracts was taken probably as much to try and save money as to speed things up. Indeed the remarkable thing is that at this stage the Treasury was so slow over reaching its decisions. It would appear that the only basis of Lowe's decision to link the two routes was the information Tilley had sent him in December 1871 and the
Post Office's recommendation on the Western contract of January 1872.

The joint offer of June 25th relieved the Treasury of the necessity of formally requesting offers for the East coast route. Lowe admitted to the Select Committee that it was highly irregular that the offer had been sent to him direct. But he does not appear to have objected at the time because he took no steps to tell the Post Office or anybody else what had happened. The decision by Lowe to accept the joint tender was made between June 25th and August 13th, when he wrote instructing the Post Office to start detailed negotiations. Thus the Post Office, the division of the Treasury which normally dealt with mail contracts, and the Secretary of the Treasury through whose hands all the papers would normally pass on their way to the Chancellor, were left in the dark about the association of the Eastern and Western tenders. The Treasury mail contracts division was not informed until instructed in a memorandum to draft the letter of August 13th. The Secretary of the Treasury heard nothing of this letter. The Chancellor appears to have felt throughout that so long as the affair was progressing satisfactorily it was quite in order to proceed in this unconventional way.

Impatience with bureaucratic methods alone does not explain Lowe's behaviour, although once he had decided to act he was not the man to tolerate unnecessary delay. His failure to inform others in the Treasury is an immediate reflection of his opinion of the capabilities of those with whom he was supposed to work. Above all he had a very low opinion of the Financial Secretary
of the Treasury, William Baxter, who would normally see all
the important papers that came into the Department. Baxter
had made a considerable reputation in the 1850’s and 1860’s
as an ardent advocate of public economy, and as such had im­
pressed himself upon Gladstone. But once in office he
failed to live up to his good name. On August 12th, 1872,
the day before he instructed the Post Office to start negoti­
at ing the contracts, Lowe wrote to the Prime Minister about
Baxter’s position as Secretary to the Treasury.

In that office he is a perfect cypher the whole
of the business is done by Lingen & me and I should
say by my secretary to whom people come when they
ought to go to Baxter. He has never investigated
or worked out a single question of detail or indeed
thrown any light on any question whatever. He is
personally not unpopular in the office but has
neither weight, nor influence, nor knowledge.

He complained in the same letter of the amount of time he had
to spend on co-ordinating those beneath him – a complaint he
had voiced in the House three years earlier. In by-passing
his Financial Secretary therefore Lowe was by-passing a lazy
and inefficient administrator who would do nothing to expedite
a decision and would in all probability have delayed it. But
this does not avoid the fact, even if it explains it, that
Lowe was preventing the Treasury from carrying out its proper
job. Although the slave trade made the Zanzibar contract
exceptional, and although relations with Baxter made it hard
to work in harmony, the principal task of the Treasury was to
reconcile interests and centralize decisions. For this the
pursuit of a well organized procedure was essential.

In a letter he wrote to Lowe in June 1873, after the ex-
posure of the affair, Gladstone referred to what he called the "miscarriage or irregular handling of papers" and suggested that this was a lapse from earlier practice. He continued,

It seems necessary that a dept. like the Treasury should have at least one person as a centre, who should be cognizant of every paper as it passes through the office. This person cannot be the Ch. of the Ex on account of the weight and variety of his general duties. 33

The implication that practice had changed from the time when he was in the Treasury emphasizes the personal element in the procedure that Lowe followed. Lowe's distrust of Baxter and of Monsell, and his desire to expedite the decision, combined with his apparent unawareness of the correct role for the Treasury, had caused him to tolerate a breakdown in communications in a situation where good communications were symptomatic of good administration. A leading article in the Times of August 1st 1873 said that one "should expect to find the CHANCELLOR of the EXCHEQUER punctilious in the observance of fixed rules, and a martinet in adherence to routine."34 Lowe manifestly failed to live up to this definition of his duties.

The consequences of Lowe's failure to inform others within the Treasury were not very severe in August 1873. But his failure to inform the Colonial Office of the Post Office's recommendation of January 1872 was the chief cause of his defeat over the Western contract. The letter of August 13th merely alluded to the proposals to extend the Western contract, but the Colonial Office saw only this letter. Thus until the existence of the contract plans be-
came public knowledge in November 1872 and the Cape Merchants in London had protested so vigorously the Treasury was not in any position to know what the likely reaction would be. Not until January 1873, when there had been time for the rumours to reach the Cape, for a reaction to develop there, and for news of this to return to London, could the Treasury possibly know of the feelings of those chiefly affected. In January 1872, when the Post Office had suggested that the Union Company's request to extend their contract be accepted, there had not been any rivals on the Western route. Currie issued his first advertisement in January 1872, but even if the Post Office had seen it there was no reason for them to believe that it would lead to anything; a number of other firms had tried to compete with the Union Company, and all had gone bankrupt.

The extraordinary success of Currie's ships during the course of 1872 entirely changed the situation, and largely accounts for the force of the opposition in the Cape. Yet those who took the decision in the summer of 1872 to accept the January recommendation of the Post Office knew nothing of the success of Currie's ships. They were thus ignorant of a piece of information which was vital in forming any judgement about probable reactions. As the disputes of the 1850's had shown, the chief task of the Treasury - indeed a necessary task which only the Treasury was in a position to perform - was the reconciling of the interests affected by the contracts. By omitting to keep in touch with the Colonial Office about their thinking the Treasury deprived itself of the opportunity of ever knowing what these interests were, let alone
reconciling them. And the Treasury failed on this count not because procedure was inefficient, but because by confining the whole affair to the Chancellor's private office, procedure was not followed.

The decision to increase the payment on the East coast contract can be accounted for in a similar way. In this instance however it is more a case of the Chancellor taking precipitate action to clear the matter out of the way. He wanted to settle this aspect of the anti-slavery policy, and did not see any purpose in repeating the steps already taken for the original negotiations. He felt he had an obligation to the Union Company, who had reduced the subsidy on the Zanzibar contract only to win the Western.

my view was that it was not a case for public competition, but having got this company into the position they were in, it was our duty, not only as a matter of honour but as a matter of public policy, to deal handsomely and liberally with them, in order that nobody should say that they were injured by dealing with the Government. 36

No thought was given to the letter stating that the British India Company would be able to do the service for £27,365, which had been sent to Tilley in December 1871, even though it was not a formal tender. When the Member for Hackney, Mr. Holms, told the House of Commons on June 9th 1873 that such an offer had been made, Lowe was caught off his balance. He had hastily to adjourn the debate, and later to accept the enquiry by the Select Committee.37

Lowe's opinion on the appropriate way to proceed explains his failure to consider the possible consequences of
raising the subsidy to £26,000. His overly hasty modification of the contract is comparable to his personal decision to link the Eastern and Western services, and later to accept the joint tender of June 25th without seeking the technical advice of the Post Office. It seemed common sense to Lowe to complete a matter which he had been personally in charge of from the start, and on which anti-slavery pressure demanded action. The letter containing the 1871 offer of the British India Company had, it appeared, stayed in the Chancellor's private office, and not therefore been indexed on Treasury files. It was only recovered after the accusations in Parliament, which had been made on the basis of information direct from the Company. Once again, by avoiding normal office procedure Lowe had deprived himself of the information he needed to make sound decisions. It is remarkable that he does not seem to have considered the possibility of objections to the raising of the subsidy by £11,000, even though he was clear in his own mind it was legitimate.

One of the major complaints made against Lowe was that the explanatory Treasury Minutes attached to the contracts when they were first presented to Parliament failed to mention they had been linked for purposes of the negotiations. Normally such Minutes would be drawn up by the Secretary of the Treasury on the advice of the department's mail contract division. All papers would have passed through his hands before reaching the Chancellor. In this instance the Secretary had seen none of the papers, and attended none of the discussions since he had handed on the Post Office's recom-
mendations in January 1872 - a direct consequence of Lowe's lack of confidence in the man who was supposed to be his chief assistant. The Chancellor sent him a memo instructing him to draw up the explanatory Minutes in January 1873. The memo made no mention of the link between the contracts, and because it came from the Chancellor the Secretary sought no further advice. Thus once again, because of the unusual procedure followed by Lowe, vital information was missing for those who had most need of it.

Lowe offered two explanations to the Committee for the inadequacy of the Minutes. First, he tried to suggest that from August 13th onwards the whole Treasury was informed of what was happening, and therefore that Baxter should have known better. In making this suggestion Lowe shows how out of touch he was with the normal means for circulating information. Baxter had had no opportunity of finding anything out. So unusual had the procedure been that his ignorance cannot easily be blamed on any lack of vigour on his part. Contrary to Lowe's contention, the Treasury was not kept informed, but only learned what had happened when the details were disclosed in Parliament, and therefore became common knowledge for the whole country.

Lowe's second excuse for the shortcomings of the Minutes contradicts the stand he had taken over Baxter. To put some of the blame at least on Baxter was to admit that a mistake had been made. But this done he then contended that the Minutes did not have to mention the link, since the Standing Orders only required that the Government state the grounds on
which the contracts were approved. It was not of course
good administration which required this extra information in
the Minutes, but only courtesy to Parliament. That Lowe did
not pay much attention to what Parliament was told is yet
another indication of his unwillingness to tolerate inter­
ference, especially by non-experts, in what he felt to be the
speedy despatch of business. Informing Parliament did not
get a better contract, and M.P.'s were always liable to be
the subject of influence from pressure groups.38 Before
the Committee he went so far as to suggest that Parliament
should not have the right to interfere in contracts negotiated
by the executive, and referred to M.P.'s as "irresponsible
people." One may take this opinion of Parliament as symp­
tomatic of the attitude which guided his action throughout —
namely that efficiency on the one hand and the existence of
controls and formal procedure on the other were incompatible.

The Select Committee questioned Lowe on what he felt
about the position of the Chancellor in the Treasury, and the
way in which he felt he ought to conduct his business. Lowe
replied that, "he is not obliged to consult anyone; he is to
seek his information where he can get it." He went on to
say that,

the Chancellor of the Exchequer does not live
in the Treasury, and he is not intimately brought
into contact with its workings, but is rather
outside of it. The Secretary of the Treasury
ought to be the heart and soul of the Treasury. 39

This statement reflects what he felt the Financial Secretary
should do, and thus is a direct criticism of Baxter. But it
also explains why he felt able to conduct so much of his work from his office at his official residence in Downing Street. It explains why in his day to day work Lowe did not feel part of the bureaucratic machine of the Treasury, and therefore not part of the tightly ordered procedure by which this machine worked. More important, if Lowe felt that he personally could work outside the machine, it is likely that he had a restricted view of the usefulness of this machine operating along established lines. If Lowe felt that the duties of the Treasury could be best fulfilled by acting through private channels, he cannot fully have grasped some of the important tasks which the department ought to perform.

Mail contracts were not an aspect of the Government's business which required urgent decisions. The Post Office's recommendations for the extension of the Western contract had lain in Lowe's office from January till August 1872, so Lowe would presumably accept this point. The Treasury was not normally, and need not in this case, have been the department to take the initiatives. Its detailed administrative duties and initiatives were largely in the realm of finance. But as the central and most powerful department of the administration it had to ensure that whenever the Government embarked upon a policy affecting more than one department all viewpoints were taken into consideration. Thus the vital aspect of its work as far as the mail contracts were concerned was not the quick reaching of a decision, but the efficient communication of information to and from the departments concerned. If these channels of communication had been used the Treasury would have
been aware of the likely reaction to the contracts, and so Lowe could have avoided the humiliation, as one of the senior members of the Government, of having to bow before opposition and withdraw the contracts he had presented to the House of Commons.

The main point of the Select Committee on Packet and Telegraphic Contracts of 1860 had been that there were insufficient means for circulating the necessary information to all the parties involved. The suggestions in their report provided the means to avoid these defects, but the way that Lowe had executed the negotiating of the contracts meant that the safeguards were by-passed. His failure to express before the Select Committee or in the House any clear opinion of the job his Department should be doing may in part be explained by an attempt to avoid incriminating himself. But the consistency of his approach, and his failure to take compensating action, imply that he had not taken the central point of the Committee of 1860. The job of acting as the clearing-house for information when the Government had to reach a decision which touched on the affairs of more than one department, was one way in which the Treasury centralized the country's administration. It was certainly a job requiring vigilance, but nevertheless it was one where the careful application of well ordered procedure was far more important than precipitate action, or great strength of character on the part of the chiefs of the department. Indeed the political and Civil Service heads of the Treasury had only to exercise their judgement on the basis of detailed briefs laid before them. They were not required
to take the initiatives, but rather to co-ordinate the work of others.

The Zanzibar mail contract affair was only one of the troubles that the Government had to face in 1873, and which together caused Gladstone to reshuffle his ministry in the late summer of that year. The Post Office Telegraphs scandal and Lowe's dispute with Ayrton of the Board of works brought considerable disrepute upon the Government and upon the Treasury in particular. Lord Kimberley remarked on the disorganization of the Treasury, and said it was in a "hopeless mess." Baxter resigned because "he could not get on with the Chancellor of the Exchequer." Monsell withdraw with a peerage, Lowe went to the Home Office, and Gladstone took over the Treasury. This reorganization reflects the disharmony within the Government, and emphasizes the political importance of the dispute over the Zanzibar mail contracts. At the time, needless to say, it was this political aspect which appeared the most important, but the affair provides equally interesting information on the workings of the administration.

The job which faced the Treasury in supervizing the ocean mail contracts differs from its other work as the central Department of government. The precise nature of the Treasury's relations with the Post Office of course depended on its right to control the Revenue Departments, and current ideas on retrenchment clearly provided an added incentive to try to win the best possible terms for mail contracts. But even so the job was essentially of a purely administrative kind, which would have been common to most government machines,
whether expanding or contracting, extravagant or parsimonious. Moreover, although the job brought the Treasury into close and regular contact with other Departments, it was not one which involved the exercise of authority in the ordinary sense of the word. The Treasury in this instance had to prove its worth through unpretentious efficiency, and not by relying on prestige or legal power. The case emphasizes an unchanging aspect of the Treasury's work, for the negotiation of mail contracts would continue whatever the policies or philosophy of the party in power. It was a job of co-ordination in a complex administration, and which therefore fell to the Treasury as the central Department.
FOOTNOTES


2. 15 Car. II, c. 14.


4. Ibid., p. 17.


6. Select Committee on Contract Packet Services, 1849. G.B. Sessional Papers, Commons, 1849, XII, p. 3.


8. Select Committee on Packet and Telegraphic Contracts, 1860. G.B. Sessional Papers, Commons, 1860, XIV.

9. Ibid., p. 3.


12. Ibid., p. 3.


16. Select Committee on the Cape of Good Hope and Zanzibar Mail Contracts, 1873.
   G.B. Sessional Papers, Commons, 1873, IX, p. 382.


19. Select Committee on the Slave Trade (East Coast of Africa).
   G.B. Sessional Papers, Commons, 1871, XII, p. 8.


22. John Tilley, Secretary of the Post Office; born 1813, he entered the Post Office as a career civil servant in 1829. In 1848 he became Assistant Secretary of the Department and in 1864 he succeeded Sir Rowland Hill as Secretary. He held this post until his retirement in 1880, in which year Fawcett, then Postmaster General, remarked on the great value of Tilley's fifty years in the Post Office. *Times*, 19th March, 1898, p. 7f. 26th Report of the Postmaster General, G.B. Sessional Papers, Commons, 1880, XIX, p. 22.

23. The names of these two companies were abbreviated at the time, and this practice will be followed here, viz: The Union Steamship Company as the Union Company, and the British India Steam Navigation Company as the British India Company.


26. Times, 26th July, 1872, p. 10e, reports a large meeting held in London under the chairmanship of the Lord Mayor. Times, 25th July, 1872, p. 9e, contains a leading article on the East African slave trade, which it condemns very strongly, and against which it asks the government to take action.

27. Times, 28th August, 1872, p. 7d.
   Times, 31st August, 1872, p. 7b.

28. Times, 17th February, 1873, p. 5c.


30. For example see his speech in the House of Commons 3rd June, 1862.
   Hansard, 3rd series, Commons, vol. 67, cols. 315-22.


33. Gladstone Add. MSS. 44542, f. 126.

34. Times, 1st August, 1873, p. 9d.


36. Select Committee on the Cape of Good Hope and Zanzibar Mail Contracts, 1873, op. cit., p. 365.


38. Ibid., cols. 686-9.


CHAPTER VI

Conclusion

It is commonly pointed out that at the time of Napoleon England had one of the least developed central governments in Europe, but that in the period 1914-1918 she was better able than most of her rivals and allies to organize for war. Expansion of government in the nineteenth century explains this transformation, but credit must also go to the administrative changes which accompanied and to some extent preceded that growth. Correct though this opinion clearly is, it tends to lay too much emphasis on the expansion of government in the nineteenth century, and too little on those earlier changes in the existing administration which were chiefly to affect the Treasury. The absence of a large standing army, a degree of integration between centre and locality which made possible a large scale decentralization of administration, and a long standing distrust of control from the centre, may all help to explain why England was late to develop a large central government. Likewise the key to an explanation of the growth of administration in the nineteenth century can be found in the pressure of population in the new cities, a growing awareness of the problems which industry and population created, and the development of techniques to deal with these problems. Yet there were many very substantial changes in English government at an earlier date, such as the disappearance of political patronage, and a new emphasis on public economy and orderly government. It is to changes such as these that the Treasury owes its position as the
effective supervising Department in the English government.

The aspects of the Treasury's activities which survived from the mid eighteenth century to the mid nineteenth century were either unimportant, or they were activities over which the Treasury only had a general supervision, the main work being done by such subordinate bodies as the Board of Customs. The Treasury's direct and effective supervision of the machinery of government was a creation of the reformed and rationlized administration which came into being in the late eighteenth century and the first half of the nineteenth century. Only when there was a functionally organized administration, as opposed to one which was in part at least the tool of political managers, and only when there was a premium on economy and efficiency, could there exist an effective supervising department. Although the Treasury's powers grew well after this period of reform - for instance when Gladstone was Chancellor of the Exchequer and then Prime Minister - they owe little to the radical new departures of government into the field of public health and welfare.

The great emphasis placed in the nineteenth century on the need to control the initial incurring of expenditure, and upon the need to maintain financial order in government, provide the background for all the Treasury's activities. The Treasury gained its prestige by putting into practice a fundamental aspect of the nineteenth century Englishman's thinking about government. The crucial position that retrenchment held in people's thinking made possible the effective implementation of Treasury control - the right of the Finance Department to scrutinize and if necessary refuse
sanction to programmes in all areas of government. Nineteenth century Treasury control represents the combination of legal power, administrative efficiency, and a concern for financial order and economy. Only the legal powers existed before the late eighteenth century. The effectiveness of Treasury control may therefore be taken as a symbol of the degree to which the administration was reformed by the early nineteenth century, and the degree to which men became interested in public economy and gained a new and heightened morality in public affairs.

The Treasury's influence in the nineteenth century in part depended on the importance that men came to place on ideas which only a central Finance Department could enforce. But in part the influence arose even more indirectly. As an independent Civil Service became established, so there was a need for central supervision in a way unnecessary in the days of strict departmentalism and political patronage. As greater store was set by financial efficiency and the strict Parliamentary control of grants voted to the Crown, so the Treasury became the Department to enforce regulations for which there had been no real demand before the 1780's. And as the most central of the Departments, with links to all the other Departments, the duty of ensuring co-ordination between the various sections of government necessarily devolved upon the Treasury.

The growth of the Treasury's powers cannot of course be accounted for in purely impersonal terms. The dedication to public economy and to good administration on the part of successive Chancellors of the Exchequer and Prime Ministers was clearly essential to the establishment of the Treasury at the fulcrum of
government. Likewise the senior civil servants in the Treasury, at least by the time of Charles Trevelyan, were not only dedicated to the same principles as their political masters, but passed from generation to generation a strong tradition of a central and powerful Treasury. Indeed the tradition which Welby or Lingen represent survived in the minds of civil servants long after its rigid application had become a thing of the past. The strength of the Treasury's position in the nineteenth century owed a great deal to the way in which these men, both politicians and civil servants, acted. But though perhaps exceptional in their ability and energy, these men were not exceptional in the views they held. On the contrary, they epitomize a central element of the current thinking on public affairs.

Just as the views expressed by the leaders of the Treasury reveal so much of the contemporary ideology, so the approach they took in the conduct of their affairs reveals a lot of the contemporary approach to administration. Once again, although it is customary to point to the ad hoc growth of government agencies in the nineteenth century as the principal evidence for the absence of an objective approach to administrative problems, the activities of the Treasury show exactly the same thing. The great emphasis on public economy meant that new policies might be dealt with in a rather cursory fashion by Treasury officials. It was the desire to enforce the constitutional principle of the Parliamentary control over grants which finally led to the establishment of an orderly administration of the country's finances; there was no consistent drive by the Trea-
sury to introduce these reforms for the sake of good management. Above all, the Treasury's control of the Civil Service reflects a very restricted view of administration. There was no real concept of personnel management, and in their day to day dealings about the staff of other Departments the Treasury was chiefly guided by a sense of financial responsibility.

To suggest that there is a strong case for singling out the Treasury for reproach because of its limited attitude to many administrative problems, is to fail to see the fault was common to the whole age and to all fields of government. Large scale administration, organized in a functional manner, was an innovation, the full potential of which had not yet been fully appreciated. Extensive government action was still synonymous with loss of liberty and high taxes with economic distress. The controlled planning and growth of the administration in general therefore was not promoted for much the same reasons that the specific control of finance was actively encouraged. Financial control was synonymous with order, efficiency and restriction. While this order and efficiency doubtless made easier the unconscious and muddled growth of government agencies, which in its turn helped Britain deal with some of the more blatant results of rapid industrialisation and with the vast administrative problems of the First World War, the Treasury's approach essentially ran counter to the underlying tendency of government to expand. It was many years before this negative approach to government was abandoned, and therefore many years before there could be a more imaginative approach to administrative expansion, or a less strictly financial criticism of new policies by the
Treasury. By the end of the nineteenth century old views on retrenchment and restricted government were being dropped, and as this happened the way was opened for a more conscious expansion of administration and a more flexible approach on the part of the Treasury.

Treasury control in the nineteenth century was something unique to a certain stage in British administrative development. Before the late eighteenth century there did not exist the necessary interest in public finance, or the ordered administration which would be amenable to central control. By the end of the nineteenth century thinking on public economy had started to change so deeply that the strict application of control, as exercised by Gladstone or Welby, was no longer really possible. The heyday of Treasury control thus lies in a period when government had ridded itself of the last vestiges of medieval corruption and inefficiency, but had not yet become aware of its potential as a positive force in society. The deeply embedded traditions of Treasury control may in some respects have hindered the growth of government and a more imaginative approach to administrative problems. But the mere fact that these traditions existed, and above all could be enforced, is a sign of earlier changes without which all expansion would have been impossible.
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