

CHAPTER VI.

FINANCES.

Revenue and Expenditure Forty Years ago—Situation at Commencement of the Present Reign—Present Main Elements of Egyptian Finance—What the Revenue now consists of—The Expenditure—Explanation of its Increase—History of the State Debt—The Crisis of Last Year—Mr. Cave's Mission, and his Report—The French Unification Scheme—Its Failure—The Göschen-Joubert Scheme—Its Merits and Defects—Its Acceptance by the Khedive—The New Financial Administration—Its Guarantees—The Essential Solvency of the Country.

THE finances of Egypt have followed the same law of growth which has ruled in nearly every economical feature of the country during the past forty years. In 1835 the revenue was estimated at 2,600,000*l.*, and the expenditure at about 2,300,000*l.*, without any public debt whatever. In 1862, the last year of Saïd Pasha's reign, the figures had risen respectively to 4,929,000*l.* and 4,330,000*l.*, with a debt of 3,292,300*l.*; while last year's Budget claimed an income of 10,772,611*l.*, against an outlay (exclusive of interest on the floating debt) of 8,981,852*l.*, with a total State debt since fixed by the Göschen-Joubert scheme at 76,000,000*l.* Of these large aggregates, the first is sufficiently explained by the development in the trade and productive industries of the country, the second mainly by the cost of an improved administration and the charges on the national debt, and the gross total of this last itself in great part by a heavy outlay on public works which within the past sixteen years has, in this respect, placed Egypt on a level with most second-rate European States, but largely also by a vicious system of

financing which has burthened the country with a mass of debt beyond its fair capacity to bear.

It will be convenient to consider these three main elements of Egyptian finance in separate detail.

I. The *Revenue* may be grouped under the five heads of (1) Direct and (2) Indirect taxes, (3) the Moukabala and Village Annuities, (4) Railway profits, and (5) Miscellaneous Receipts.

Of these the first include (*a*) the land taxes, (*b*) the tax on date-trees, and (*c*) trade licenses. As regards the first of these, the latest official report states the total area of land under cultivation at 4,805,107 feddans (acres), of which 3,580,239 pay a rent-charge (*miri*) averaging about 22*s.* per feddan, and the remaining 1,224,868—held under the privileged tenure explained elsewhere—only a tithe or quit-rent (*oushur*) of about 7*s.* per feddan all round.* The revenue from both these taxes last year amounted roundly to 4,305,000*l.*, and may be fairly expected to reach 4,500,000*l.* within the next four or five years, when new land already reclaimed falls under taxation.† While the heavier of these taxes, too, may be

* This total acreage of tax-paying land is an increase of 743,121 feddans over the area in Saïd Pasha's time; in addition to which 352,350 feddans (*oushuri*) have also recently been brought under cultivation, and will shortly be assessed for taxation, as will also a further 267,000 feddans which have not yet been included in the cadastre. This total of nearly 1,363,000 feddans amounts to 33½ per cent. of the whole cultivated land of the country fourteen years ago. There are, besides, 1,097,999 feddans of land registered during the reign of Mehemet Ali, but still uncultivated, and about 1,500,000 feddans not yet registered, in the provinces of Garbieh, Sharkieh, Bèhèra, and Dakálieh, most of which may be similarly reclaimed.

† Up to the time of Saïd Pasha, the vicious Turkish system was followed of collecting the land-tax in kind; but amongst his other reforms that Prince substituted payment of the tax in money, allowing the cultivators to sell their produce in the market direct to the European traders, instead of, as formerly, to the Government at its own price. As a rule, therefore, both the *miri* and the *oushur* are now collected twice a year in money; but, by mutual arrangement with the saraffs, payment is sometimes made in kind at the current market rate.

regarded as moderate in a country in which the gross yield of cultivated land ranges from 8*l.* to 12*l.*, or even 15*l.* an acre, the fact that one-fourth of the whole pays only the minor charge shows how large a taxable reserve the Government possesses in this main source of its revenue. On the other hand, as most of these privileged estates belong to members of the Viceregal family or other influential persons, there is not much present likelihood of their being brought under the higher assessment. The tax on date-trees—at the average rate of 10*d.* each on 4,467,000 trees—represents a receipt of about 189,000*l.*, being an increase of 3,000*l.* on the previous year's Budget. This particular impost, however, admits of but little extension, and the margin for further productiveness is less than this difference would seem to suggest. It is even probable that any re-adjustment of taxation may rather reduce than augment the sum received from this source, as the tax is in reality a second impost levied from land which already pays either *miri* or *oushur*. Trade Licenses, on the other hand, which last year yielded 422,000*l.* against 286,500*l.* in 1874, may be safely reckoned on for an increase, not probably at this high ratio, but in fair proportion to the growth in the trades and skilled industries of the country, on which this tax of less than 1*l.* 8*s.* per head of those engaged in these avocations is the only direct impost levied.

The Indirect Taxes comprise the Customs and Tobacco duties; octrois and various other tolls falling under the head rather of miscellaneous local, than of general taxation. The Customs, although hitherto very badly managed, last year produced 639,000*l.* from an *ad valorem* tariff of nominally 8 per cent. on imports, and 1 per cent. on exports, fixed by the existing commercial treaties with the Porte an early modification of the tariffs of which is

probable under the new powers of the Khedive. As it is, the revenue of the department during the past fifteen years has supplied a fair gauge of the contemporary prosperity of the country. Thus, while in 1861 the total value of exports and imports (including goods in transit) on which duty was paid—there is no accessible record of the actual receipts—was only 6,445,445*l.*, in 1863, when the cotton famine had abnormally stimulated the growth and export of that staple, the Customs revenue of the year rose to nearly 1,240,000*l.*, and in the reaction that ensued fell in 1867 to 482,780*l.* A stationary period followed from the latter year to 1871, since which, without any exceptional activity, and notwithstanding the diversion of almost the whole Indian traffic to the Suez Canal, a nearly regular annual improvement has taken place. A measure of the extent to which bad administration has hitherto checked this is suggested by the fact that, while the receipts of the Alexandrian Custom House for 1872 should, according to an authoritative calculation, have amounted to 558,787*l.*, those from the whole of the ports reached only 541,215*l.*, or 17,510*l.* less than what ought to have been the year's revenue from Alexandria alone.* Under the new European management, the abuses which explain this anomaly will doubtless diminish, if they do not altogether cease, and the department may be regarded as one of the most expansive sources of Egyptian revenue, irrespective of the probable increase of the present low rate of 1 per cent. on exports when the existing treaty expires. Similarly, as regards the tobacco duty, which, when fixed five or six years ago, was reckoned to produce 500,000*l.* a year, but has as yet not exceeded 264,000*l.* The deficit on this item has no doubt been largely caused by smuggling, for the estimate itself is a moderate one

* Mr. Cave's "Report," p. 4.

for an almost universally smoking population of nearly 5,500,000, and may be fairly expected to be approached, if not fully realised, under a more efficient system of customs and excise control. The tax on which it is based is only 20 piastres per oke, or about 1s. 6d. per lb.—less than half our English duty—and as the yearly importation, over and above what is used of native growth, exceeded 2,800,000 okes (=7,700,000 lbs.), a revenue of 500,000l. would still leave a margin of more than 10 per cent. for reduced consumption or other causes. For the present, however, the proceeds of this tax fall slightly below 264,000l. a year.

The Moukabala and Village Annuities are not properly taxation at all, but terminable receipts involving, eight years hence, a large permanent reduction of revenue. The former—which means “compensation”—is the name given to a measure introduced in 1871 to redeem half the land-tax, with a view to paying off the then floating debt with the proceeds, without having recourse to a foreign loan. At that time the great majority of Egyptian landowners had no legally regular title-deeds to their property, and in consideration of their consenting to pay six years’ land tax in advance—either in one payment or in six yearly installments—the Government proposed to give them indefeasible titles, and to reduce this tax by one-half for all time. The measure was, however, found to be impracticable. Only the wealthier proprietors could afford to comply with its terms in either alternative, and after about 8,000,000l. of the estimated total of 27,825,000l. had been encashed, it was found necessary to commute the proposed six installments into twelve annual payments of about 1,530,000l.—reckoning a discount of 8½ per cent. to be allowed on each installment—after the last of which, payable in 1885, half the tax,

whether *miri* or *oushur*, will be forever redeemed. This modification of the measure of course defeated its original object, and saddled the Government with an engagement which, however advantageous to the landowners who could afford to bear the immediate burden, was fiscally ruinous to the Treasury; seeing that for a sum of in all less than 27,000,000l. spread over a dozen years, it thence afterwards surrendered for all time nearly 2,500,000l. a year of its surest and most easily collected revenue. The money, however, was urgently needed, and the measure was therefore upheld till May of last year, when, the difficulties of the floating debt having culminated, the Government—yielding to the pressure and evil counsels of the influential group of French financiers by whom the large mass of its Treasury bonds was chiefly held—decided on unifying the whole of its debt, funded and floating, on terms which, amongst others, provided for its redemption in sixty-five years. To enable it to bear the heavy interest-charge which this arrangement entailed, it was resolved not to reduce the land-tax, and by the decree of May 7th the Moukabala was abolished, the Government being left to make what compromise it could, if any, with the proprietors who had already paid under it up to that date. But the scheme of which this was a feature having failed to meet with acceptance in England, fell through, and on reconsideration the Government, after consulting the Assembly of Delegates, decided on maintaining the Moukabala, and keeping faith with the contributory landholders. Accordingly, when the substituted project of Messrs. Göschen and Joubert was negotiated six months later, the Moukabala formed part of it, and is now again in revived operation, with this modification, that the discount or bonus of 8½ per cent. by whose operation the half-tax was to be redeemed

within the twelve years is now withdrawn, and the whole of the reduction will come into force at once in 1886. The effect of this will be to augment the receipts from the measure by about 135,000*l.* a year—at the expense, of course, of those who previously received that amount in rebate. But even with this increment the present advantages derived from the item must be regarded as dearly bought at the cost of the sacrifice it will entail eight years hence. This will no doubt be in great measure recouped by the taxation of new land and the general expansion of revenue in the meantime; but that improvement would have accrued in any case, and the necessity for a measure which thus so largely discounts the future is, therefore, none the less to be regretted. The Village Annuities only resemble the Moukabala in being similarly terminable. These date from 1870, when, in consequence of the sudden reduction in the price of cotton which followed the temporary rise caused by the American civil war, the growers were unable to repay the large advances made to them by the merchants and money-lenders during the inflation of the market. The Government came to their relief, and, taking on itself the collective debt of about 1,000,000*l.*, issued in payment of it interest-bearing “Village Bonds” spread over seven years. This term was subsequently extended to twelve years, and the annuities will therefore expire in 1885, up till which time the Treasury is being repaid by the original debtors at the rate of 160,000*l.* a year. The termination of both these items will, consequently, involve an annual reduction in the revenue of about 1,820,000*l.* after 1885.

Profits on Railways, the next important item, may be credited with similar elasticity to that experienced in the Customs, arising from a steady increase in the traffic, gradual improvement in the administration, and the

continuing extension of this class of public works. All three of these causes combine to explain the growth of revenue from this source from 361,300*l.* in 1863, the first year of the present reign, to 990,200*l.*, the net amount received from it by the Treasury last year. The cheapness with which the lines are worked no doubt also contributed to this result—the cost of working being only about 46 per cent. of the receipts, or, if telegraph revenue and other “rents” received by the department be included, about 41 per cent., as compared with 53 per cent. spent on most European lines. This low proportion of working cost to revenue arises mainly from the moderate rate of speed at which trains are driven, and from the employment chiefly of native labor. Taking the aggregate of the lines now open at 1,100 miles—a mileage which, in proportion to population, is greater than that of either Austria, Hungary, or Spain—and estimating their cost at the locally high average of 11,000*l.* a mile, these net profits of last year represent a dividend of nearly 8 per cent. on the capital spent on the system, irrespective of its indirect effect on other branches of revenue by promoting commercial activity and the general prosperity of the country. That still better results will be realised under the new European administration of the lines may be confidently expected; and although the property in them is still retained by the Government, the “privileged” stock to which their revenue is now specially hypothecated, may, for all practical purposes, be regarded as high-class railway debentures.

The remaining aggregate of receipts, grouped under the head of “Miscellaneous,” and amounting in the total last year to about 2,100,000*l.*, is made up of 519,000*l.* received as octroi and other municipal dues in Cairo and

Alexandria; of 202,000*l.* collected as indirect taxes by the provincial prefectures; of 306,000*l.* derived from the salt monopoly; of 467,000*l.* of special crown rents and duties payable to the Ministry of Finance; of 245,000*l.* from the Post Office, salt-fish farming, lock, canal, bridge, and harbour tolls and dues (other than those of Alexandria); of 143,000*l.* net revenue from the Soudan; and about 220,000*l.* of arrear taxes.

This last item being deducted, the revenue for the year was roundly about 10,500,000*l.*, of which rather less than 7,000,000*l.* was the proceeds of actual taxation, the remainder representing the redemption of future taxes, the payment of old ones, railway receipts, canal, bridge, and other dues, which were not in fact taxes in the ordinary sense, but payment for equivalents received. The whole positive taxation of the year, therefore, was about 25*s.* per head of the population, an amount which, although not oppressive, is still relatively high for a country in which the great majority of the people are much poorer than the corresponding classes in Europe. Indeed, the strain in this direction has reached a point beyond which, for some years at least to come, it cannot be safely carried, and the further growth of the Egyptian revenue must, therefore, depend rather on the reclamation of new land to cultivation and the general expansion of trade than on any possible increase in the present fiscal burdens of the country. It may be doubted, indeed, whether under the humane and more equitable system of assessment and collection which has been recently introduced, last year's aggregate of receipts will be even maintained. The taxation of foreigners, who still most inequitably enjoy their old fiscal exemption under the Capitulations, might fairly be made to yield 200,000*l.* a year, but of this there is no present likelihood,

and from further taxation in any direction there is therefore nothing to be reasonably hoped.

II. Passing from revenue to *Expenditure*, the latter, we find, has grown rather more than *pari passu* with the former—an unsatisfactory feature, which is however explained by the great outlay on public works and the yearly increasing charges of the public debt. But this side of the account is now simplified, and its figures for the future controlled by the recent arrangement which assigns a fixed sum for administration, and allots the balance of the revenue, be it much or little, for the service of the debt. Previously there was no check upon the former, and where the outlay on it and the annuities on the debt exceeded the year's income, the deficit was met by the vicious expedient of fresh borrowing at usurious rates of interest, till borrowing became no longer possible, and the inevitable crisis of last year ensued. To this mischievous license the decree of November last put an end, and so long as it remains in force the spending powers of the Government are limited—for the present and next year to 4,259,350*l.* and 4,403,961*l.* respectively, and thence afterwards, till 1886, to 4,500,000*l.* a year. Although, therefore, the Estimates on this side of recent Budgets have now little more than an historical interest, their chief items—which, more or less modified, are still those of the current expenditure—may be mentioned. First comes 685,308*l.* for tribute to the Porte. Up till 1866 this item was only 376,000*l.*, but in that year, in consideration of the firman which changed the order of succession, the payment was increased to 670,308*l.*, to which 15,000*l.* a year has since been added for the cession of Zeyla. The Civil List of the Khedive (300,000*l.*), raised by grants to the heir apparent, his Highness's other sons, and the numerous families of the preceding Viceroys to 560,000*l.*