

THE PRINCIPLES OF POLITICAL OECONOMY

AN INQUIRY INTO THE

PRINCIPLES OF POLITICAL OECONOMY.

BOOK V. OF TAXES, AND OF THE PROPER APPLICATION OF THEIR AMOUNT.

INTRODUCTION.

THE subject of taxes is so closely connected with every branch of political oeconomy, that I have not been able to avoid anticipating a subject, which, according to my plan, is left for the conclusion of this work.

What has been hitherto introduced concerning taxation, in treating of industry, trade, money, credit, and debts, relates principally to the effects of taxes upon circulation, prices, and several other things relatively to those subjects.

What therefore remains, not as yet touched upon, chiefly concerns the principles which determine the nature of every tax, relatively to the interest it is intended to affect.

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To investigate the different consequences of taxes when imposed upon possessions, and when upon consumption, are questions which relate directly to the principles of taxation. But in this book I shall also have occasion to trace out, farther than as yet I have done, certain combinations concerning the effects which taxes have in multiplying the fund of circulation: and as the augmentation of taxes tends greatly to increase money, I am thence led to examine, how far the advantage gained by the suppression of taxes may not be more than compensated to a nation, by the inconveniences proceeding from so great a diminution of circulation.

Taxes have all along been supposed to enhance the price of living; we shall therefore have an opportunity of investigating the proper extent to be allowed to that general proposition.

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C H A P. I.

Of the different Kinds of Taxes.

TAXES have been established in all ages of the world, under different names of tribute, tithe, tally, impost, duty, gabel, custom, subsidy, excise; and many others needless to recapitulate, and foreign to my subject to examine.

Though in every species of this voluminous category, there are certain characteristic differences; yet one principle prevails in all, upon which the definition may be founded.

I understand therefore by *tax*, in its most general acceptation, a certain contribution of fruits, service, or money, imposed upon the individuals of a state, by the act or consent of the legislature, in order to defray the expences of government.

This definition may, I think, include, in general, all kinds of burdens which can possibly be imposed. By fruits are understood either those of the earth, of animals, or of man himself. By service, whatever man can either by labour or ingenuity produce, while he himself remains free. And under money is comprehended the equivalent given for what may be exacted in the other two ways.

I have no occasion to consider the nature of such taxes as are not in use in our days. Tributes of slaves from conquered nations are a little known in our times, as contributions of subsistence from the subjects of the state.

I divide, therefore, modern taxes into three classes. 1. Those upon alienation, which I call proportional: 2. Those upon possessions, which I call cumulative or arbitrary: and 3. Those exacted in service, which I call personal. These terms must now be fully explained, that I may use them hereafter without being misunderstood.

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A proportional tax presents a simple notion.

It is paid by the buyer, who intends to consume, at the time of the consumption, while the balance of wealth is turning against him; and is consolidated with the price of the commodity.

Examples of this tax are all excises, customs, stamp-duties, postage, coinage, and the like.

By this definition, two requisites are necessary for fixing the tax upon any one: first, he must be a buyer; secondly, he must be a consumer. Let this be retained.

A cumulative or arbitrary tax, presents various ideas at first sight, and cannot well be defined until the nature of it has been illustrated by examples.

It may be known, 1^{mo}, By the intention of it; which is to affect the possessor in such a manner as to make it difficult for him to augment his income, in proportion to the tax he pays.

2^{do}, By the object, when instead of being laid upon any determinate piece of labour or consumption, it is made to affect past and not present gains.

3^{tio}, By the circumstances under which it is levied, which imply no transition of property from hand to hand, nor any change in the balance of wealth between individuals.

Examples of cumulative taxes are land-taxes, poll-taxes, window-taxes, duties upon coaches and servants; that upon *industrie*, in France, and many others.

A personal tax is known by its affecting the person, not the purse of those who are laid under it. Examples of it are the *corvée*, in France; the six days labour on the high roads; and the militia service before pay was allowed, in England*.

Having thus explained what I mean by proportional, cumulative; and personal taxes, it is proper to observe, that however different

* The *corvée* in France is the personal service of all the labouring classes, for carrying on public works. Were they paid for in money, it is computed they would amount to no more than 1200 000 livres a year. This tax was omitted in the account of the French revenue.

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they may prove in their effects and consequences, they all agree in this, that they ought to impair the fruits and not the fund; the expences of the person taxed, not the savings; the services, not the persons of those who do them.

This holds true in every denomination of taxes. In former days, when annual tributes of slaves were paid, and even at present among the Turks, where it is customary to recruit the seraglios of great men by such contributions, I consider the young women who are sent, as part of the fruits of the people who send them. This is a fundamental principle in taxation; and therefore public contributions, which necessarily imply a diminution of any capital, cannot properly be ranged under the head of taxes. Thus when the Dutch contributed, not many years ago, the hundredth part of their property towards the service of the state, I cannot properly consider that in the light of a tax: it was indeed a most public spirited contribution, and did more honour to that people, from the fidelity with which it was made, than any thing of the kind ever boasted of by a modern society.

CH A P. II.

Of proportional Taxes, and their proper Object.

WHATEVER exists for the use of man, so far as it is considered as a fund for taxation, may be classed under the following heads: 1. The produce or fruits of the earth; 2. the produce of the industry of man; or 3. his personal service. Farther,

Fruits cannot be obtained without the necessary labour of man and cattle. As this labour presupposes all the necessary consumption of maintenance, &c. the produce of the land must be understood, with regard to taxes, to be that part of the fruits only which remains

remains after deducting an equivalent for all necessary expences in making the earth produce them. The net produce alone of the earth is to be considered as a fund liable to taxation; and every contribution which bears not a just proportion to that quantity, is wrong imposed, as shall be shewn as we go along.

Again, as to the produce of work: this cannot be brought into existence without some expence, viz. the maintenance of the workman; that is to say, his food, raiment, fire, lodging, and the expence he is at for tools, and every other necessary. This we shall, for the future, call his physical-necessary. The value of the work, over and above an equivalent for these articles, is the only fund to be taxed with regard to the workman.

As to work itself, we have seen above (Book II. chap. 26.) in the general distribution of things which may be purchased with money, how it was ranged under the class of things incorporeal. For that reason, the work performed cannot come under taxation; and therefore the person working, who by work acquires a balance in his favour, is brought to be affected by proportional taxes upon the articles of his consumption; and when it is found that these articles suffer no alienation before they are consumed by him, and consequently escape taxation, then he may either be laid under the cumulative taxes, which will affect his wealth, or under the personal, which are paid in work itself, and in that respect may be considered as the fruit of the man.

Nothing would be so easy as a general rule for imposing proportional taxes, did the labourers of the ground actually consume a part of the fruits of the earth, and the other industrious classes a part of their own work, in lieu of this physical-necessary. In that case, nothing but what remained of fruits and work, not already consumed by the immediate producers, would come to market for the use of those who do not work; but who have an equivalent to give for it, out of the produce of past industry. Were that, I say, the case, then at the time of alienation (or, as we expressed it in the 26th chapter of the second book, at the time when the balance of wealth

wealth is going to turn in favour of the industrious, against the idle consumer) a tax proportional to the value of the alienation might, with the greatest propriety, be imposed, as we shall presently discover.

This, I hope, will recall to mind the principles deduced in the chapter above cited, where we made it appear, how the industrious classes, who furnish consumable commodities for the price of their overplus, must constantly have the balance of wealth turning in their favour: and when once they arrive at a certain degree of ease, proportional to their ambition, then they give over working, and become incorporated into the class of those who have enriched them.

Thus matters go on in a perpetual circle. The industrious become easy, and the public lays the consumers under a perpetual contribution in proportion to their expence.

The hypothesis we have made, is not entirely agreeable to matter of fact; because the operation of taxes is far more complex than we have described it to be; but by simplifying it, as I have done, it serves to give an idea of the result, or general consequence of proportional taxes, which, when properly imposed, do affect the idle only, but never the industrious.

Were, I say, the operation of taxation as simple as we have represented it, nothing would be more easy than to deduce its principles. Nothing would come to be refunded to the labourer or workman, at the sale of his surplus. This surplus would be equal to the whole produce of the earth, and whole industry of the country, deducting the physical-necessary of all the industrious; and this physical-necessary need not then be deducted; because it is supposed to be consumed in the very production of the surplus, as the aqueous part of sea water is consumed before you can have the salt.

This illustrates what has been said, viz. that the fruits of the earth are only to be reckoned to exist, after deducting the necessary expence of providing them. For though in fact a farmer possesses

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all his crop after harvest, yet part of it, *as to him*, is virtually consumed out of his own stock, or that of others who have furnished him food and necessaries all the time it was coming forward: consequently, that part neither belongs to the ground, or to the farmer.

If it be urged still, that the whole must be supposed to exist with regard to the state, I agree to the proposition; but according to our argument, it must not be supposed to exist in favour of the state, to the prejudice of the farmer; for this reason, that the total of the farmer's expence must be understood to have been taken from the surplus of other people's industry, and therefore if the crop be supposed to exist with respect to the state, because it is in the farmer's yard, the surplus of industry which he has consumed must not be supposed to exist in favour of the state, at the same time. But as the farmer is supposed to have paid the tax upon what he has borrowed and consumed, he must *draw it back* from those who, in their turn, are to consume his crop: and if he draws it back, he cannot be said to pay it, although the state profits of it as much as if he did.

Does it not appear from this analysis, that a state can only take gratuitously and proportionally out of the surplus of fruits and industry? Now what is here called surplus, relatively to the industrious, is the necessary fund of consumption for all the rich and idle; consequently, were the state to diminish any part of the *quantity*, the idle and the rich would be deprived of a sufficiency: but in regard that those who do not work give money, which is the price of all things, in exchange for what they consume, there the state steps in, and says, we ask nothing of those who have nothing but their physical-necessary, this they have been allowed to take; we take none of their surplus from them, this we allow them to sell to you: but as for you, who do not work, and have in your coffers wherewithal to purchase the labours of your industrious brethren, this labour you shall not profit of, unless you give the state a certain value out of your wealth, in proportion to the work and fruit you are going to consume, although you have contributed nothing towards the production of it.

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Hence it appears evident, that without *money* there could be no tax imposed: for were the state to take their proportion of the real surplus, and dispose of it out of the country, a part of the inhabitants would be starved. But by an equivalent's being found, quite different from the surplus itself, of no use for subsistence, the whole produce of industry is left for the use of those who have it; the state takes what part of the equivalent they please from the idle; and no body starves, but such as have not money, nor industry, nor the talent of exciting the compassion of the charitable.

By this simple representation of a most complicated operation, I have been able to deduce the capital principle of proportional taxation. If the reasoning be found solid, it may be retained; because we shall have occasion to recur to it, at almost every new combination.

C H A P. III.

How proportional Taxes are drawn back by the industrious, and how that drawing back is the only reason why Taxes raise the Prices of Commodities.

WHAT perplexes our notions in the theory of proportional taxation, is, that the industrious man, instead of bringing his surplus to market, is obliged to bring the whole of his work.

Let me, therefore, suppose him to be creditor upon one part of his work, and proprietor of the other. This will divide it, as it were, into two parts, which I shall call (A) and (B).

(A) represents that part upon which he is creditor, and answers to all the expence he has already been at; that is, to his physical-necessary, as we have called it. This we have said ought to be considered

as virtually consumed by the workman, and if a tax be raised upon it, it must not affect *him*; that is, he must draw it totally back from the person to whom he disposes of it. (B) on the other hand, represents that part of which he is proprietor, to wit, his profit; and therefore may either be taxed or not, as the state shall think fit.

If it be taxed in the hands of the industrious man, without suffering an alienation, the tax will be of a cumulative nature. If it be left free to him, and taxed to the person who buys it, it will be of the proportional kind, as we shall see afterwards. Again,

In the first case, it will check the growing wealth of the industrious man; in the second, it will accelerate the dissipation of the buyer.

Taxes, therefore, of the first kind, are proper to be imposed in countries where the state is jealous of growing wealth, as we have observed in the 25th chapter of the second book. If the tax, again, be laid upon the buyer, then the balance turns in favour of the industrious man, in proportion to the full amount of (B), and produces no other effect than to accelerate the dissipation of the buyer.

Let us now take in a new combination.

If, when the work is brought to market and sold, the price shall not exceed the value of the industrious man's (A), then he is of the class of those we call *physical-necessarians*, who accumulate no profits. If the price of it be less than (A), he becomes a load upon the state, a bankrupt to those who have fed him upon credit, and will die for want, unless he be supported by charity.

So far with regard to the feller: next as to the buyer.

The buyer appears at market with his money. When he comes there he must give, first, an equivalent for the prime cost of the merchandize; that is, he must refund every expence necessarily incurred in producing it; or he must refund the value of (A). Next, the industrious man has a claim upon him for his profits, viz. his (B). Then comes the state, who claims a part of his wealth, in regard that he is going to purchase what his own industry has not produced.

duced. This is the tax; I shall call it (C). This tax will be found of the proportional kind. It will not affect the growing wealth of the seller, but it will accelerate the dissipation of the buyer; and will pull down the scale against him, in favour of the industrious. This is a proper tax, in countries where the state observes the maxim of sharing the wealth of those who dissipate.

Let us now take in another combination. Let us suppose this buyer to be an industrious person, and the thing bought to be a necessary material for the manufacture in which he is employed. Is it not plain, that when the second industrious man comes to market to sell his work, which I also suppose composed of his (A) and his (B), that his (A) is a still more compounded body? It first includes his own physical-necessary, as above: 2. the (A) and (B) of the man from whom he bought the materials: and 3. the (C) which he paid to the state for the liberty of acquiring what he himself had not produced.

Whoever therefore buys from the second industrious man, must, in like manner, refund to him his full (A); he must also pay him his (B); and then he will find the state claiming their (C), as in the former operation.

This being done, let us examine the interests of all parties. The first industrious man has no reason to complain of the tax; because he was paid his necessary expence (A), and also his (B) for his profit; and the state realized the tax at the expence of the second industrious man, who paid it. Now we said that the dissipation of his wealth was accelerated in proportion to the value of what he paid for (C); but as he is none of the idle, and as the thing bought was a material necessary for his manufacture, the second buyer finds himself obliged to refund the whole amount of the first (A), (B), (C); because the sum of them make a part of the second man's (A). Now it is the refunding of this (C) to the industrious man which is the only circumstance, from which proceeds the rise in the price of commodities, in consequence of proportional taxes. Moreover, the second buyer must pay the second industrious man's (B), in

(B), in favour of the balance which is going to turn against him; and last of all, he must pay the second (C), which is the share the state requires of him, in order to accelerate his dissipation.

Now let us observe, that if the commodity bought by the second industrious man, be not necessary for the existence of his manufacture, it cannot enter into his (A), and therefore must be diminished upon his (B); and if his (B) cannot pay it, then he will owe it to some body, and for the future must either abstain from such expences, or leave off working, in favour of those who can live without them.

Let me illustrate all this by an example.

A tanner sells his leather to a shoemaker; the shoemaker in paying the tanner for his leather, pays the tanner's subsistence and profit, and the tax upon leather.

The man who buys the shoes for his own consumption, refunds all this to the shoemaker, together with his subsistence, profit, and the tax upon shoes; consequently, the price of shoes are raised, only by refunding the taxes paid by the industrious.

But if the shoemaker's subsistence shall happen to include either tavern expences, or his consumption on idle days, he will not draw these back; because other shoemakers who do not frequent the tavern, and who are not idle, will undersell him: he must therefore take his extraordinary expence out of his profits; and if his profit be not sufficient, he must run in debt to the tavern-keeper.

The extravagance and idleness, therefore, of particular workmen does not check industry, nor raise prices; for these will always be in proportion to demand, and there is no reason why demand should either rise or fall, because a particular workman is extravagant, or consumes a commodity not necessary for his manufacture or subsistence.

From this example there arises a new combination: that in proportion as the industrious do not consume of the produce of their own industry, but come to market with the whole, and then purchase the work of others, they are considered, as to taxes, in the light of idle consumers, who do not work, but purchase with money

money the fruits of the industry of others. By this operation, the taxable fund is augmented beyond the extent of the general surplus called (B). The reason is plain. Whatever is brought to market is supposed to be surplus, as it *may* there be bought by the idle, as well as the industrious. The only difference is, that the first do not draw back the tax, and that the second do, as we have already shewn.

From this reasoning we may conclude, that the way to carry proportional taxes to their utmost extent, is to draw all commodities to market, to engage every one to carry thither the whole produce of his industry, and buy whatever he stands in need of.

But which way will you engage either a farmer to sell his crop, and buy subsistence from another; or a shoemaker to sell his own, and buy his neighbour's shoes? The thing is impracticable; and were it attempted, it would prove an arbitrary proceeding, and a cumulative tax laid upon their industry: a tax which, by the nature of it, they cannot draw back, as we shall presently see, and from this circumstance alone proceeds the whole oppression of it.

Let me next analyze the price paid by the last buyer, whom we have called the rich and idle consumer of the manufacture, who can draw nothing back from any body.

Is it not composed of the whole value of the subsistence, of the work, of the profits, of the tax? The whole reimbursement of all former payments and repayments lands upon him. Those who have been at all the expence, appear in the light of his servants and agents, who have only advanced money upon his account.

How absurd, therefore, is it either to say, that all taxes fall ultimately upon land; or as others, for no better reason, pretend, that they fall upon trade. I say, that this category of taxes which I have now been describing, and which I shall still more fully explain in a subsequent chapter, never can either fall upon, or affect any person but the idle; that is to say, the not industrious consumer. If there be found a possibility for any consumer to draw back the tax he has paid, I say he is of the class of the industrious, in one way or other: and

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I farther say, that such a tax raises the price of the commodity. But by drawing back, I understand, that the repayment is an inseparable consequence of his having paid the tax. I do not, for example, say that a place-man draws back his taxes by the emoluments of his office: but I say a brewer draws back his excise by the sale of his beer.

Let this principle also be retained, that with respect to the consumption of superfluities by the manufacturing classes, they must be considered as being of the class of the rich and idle, as much as the first Duke in England. When therefore the extravagance of the manufacturing classes becomes general, and when the rate of the market can afford them great wages, relatively to the price of necessaries, such profits consolidate into the price of the manufacture, according to the principles laid down in the 10th chapter of the second book. The statesman then must endeavour to create a competition, by introducing fresh and untainted hands into such branches. This will be a sure check upon the industrious, and, if rightly applied, will prevent all frauds, all pretences for the rise of the price of labour on account of taxes: and, if carried to the full extent, will prevent any industrious person from enjoying either a day's idleness, or the smallest superfluity; except in consequence of his peculiar dexterity, or extrinsic advantages.

CHAP. IV.

Of cumulative Taxes.

I SHALL not here repeat what I have already said concerning the characteristics of this kind of imposition; but after citing some examples, I shall examine it more closely, as to its nature and consequences.

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The most familiar examples of it to an Englishman, are tithes, land-tax, window-tax, and poors-rates.

The most familiar examples to a Frenchman, are the *Taille*, *Fourage*, and *Ufencil*, (which go commonly together) also the *Capitation*, the *Dixieme*, the *Vingtieme*, and the *Induftrie* *.

The nature of all these taxes, is, to affect the possessions, income and profits of every individual, without putting it in their power to draw them back in any way whatever; consequently, such taxes tend very little towards enhancing the price of commodities.

Those who come under such taxes, do not always consider that their past industry, gains, or advantages of fortune; are here intended to suffer a diminution, in favour of the state; for which outgoing they have, perhaps, made no provision.

When people of the lower classes, instead of being subjected to proportional taxes, are laid under such impositions, there results a great inconvenience. They are allowed to receive the whole profit of their industry, which in the former chapter we called their (B), the state however reserving to itself a claim for a part of it: this, instead of being paid gradually, as in a proportional tax, is collected at the end of the year, when they have made no provision for it, and consequently, they are put to distress.

Besides, how hard is it to deprive them of the power of drawing back what they pay? And how ill judged to trust money with those

* The *Taille* is properly a land-tax, to which men called *noble* are not subjected. The reason of which is, that it was originally imposed in lieu of such personal military services as were peculiar to the lower classes.

The *Fourage* and *Ufencil* are laid upon all those who pay the *taille*, and are in proportion to it. The first is appropriated for the subsistence of the cavalry, when they are in quarters; the last for kettles and small utensils for the infantry.

The *Capitation* is the poll-tax. The *Dixiemes* and *Vingtiemes* have been already explained, and tithes are well known to every one.

The *Induftrie* is that imposition arbitrarily laid on by the Intendants of provinces, upon all classes of industrious people, in proportion to their supposed profits in every branch of business.

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who are supposed only to gain an easy physical-necessary? An equivalent for procuring the articles of ease and luxury, should not be left in the hands of those who are not permitted to enjoy them.

From this we may conclude, 1. That the more such taxes are proportional to the subject taxed, 2. the more evident that proportion appears; and 3. the more frequently and regularly they are levied, the more they will resemble proportional taxes, and the less burden will be found in paying them. Let me illustrate this by some examples.

The stoppage upon a soldier's pay, either for the invalids, or Chelsea, is a cumulative tax; but the method of levying it gives it all the advantages of one of the proportional kind. 1st, It bears an exact and determinate proportion to the value of his pay. 2^{dly}, This proportion he knows perfectly. And 3^{tho}, Instead of receiving the whole into his own possession, and paying the hospital at the end of the year, it is regularly and gradually retained from him at every payment.

Tithes are a cumulative tax; but they are accompanied with all the three requisites to make them light; although in other respects they are excessively burdensome. 1st, They bear an exact proportion to the crop. 2^{dly}, This proportion is perfectly known. 3^{dly}, Nature, and not the labourer, makes the provision. But they fall upon an improper object: they affect the whole produce of the land, and not the surplus; which last is the only fund that ought to be taxed.

The land-tax in Scotland bears, 1st, a very determinate proportion to the valuation of the land; and has, 2^{dly}, the advantage of being well known to every contributor; so that provision may easily be made for it. But the third requisite is wanting: the proprietor having the public money in his hands, often applies it to private purposes; and when the demand is made upon him, he is put to distress.

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The *taille*, in many provinces of France, bears, first, a very exact proportion to the value of the land*.

But in the second place, the proportion is entirely unknown to the man who pays it; being nowhere to be seen but in the offices of the intendant and his deputies.

And in the last place, the whole payment comes at once:

What hides, and consequently destroys this proportion, is, that after the distribution is laid on, as in Scotland, at so many shillings in the pound of valuation, the full sum intended to be raised does not come in; either because the intendant has given exemptions to certain parishes, on account of the accidents of sterility, hail, mortality among the cattle, and the like; or because the property of a part of the parish has fallen into the hands of people exempted from the *taille*; or that others, who were really bound to pay part of it, are become insolvent. The intendant must then make a second, and perhaps a third general distribution of the deficiency upon all the contributors, in the most exact proportion to the first, but yet by their nature impossible to be foreseen. It is for these reasons chiefly that the *taille* in that kingdom is so grievous.

These second distributions of the tax, *1st*, destroy the proportion between the tax and the revenue taxed. *2^{dly}*, They make it impossible to judge of the amount of them. And lastly, the demand comes at once, when, perhaps, the money has been otherwise applied.

The French tax upon industry is more grievous still; because none of the three requisites above-mentioned are allowed to operate.

This tax is supposed to be proportional to the profits made upon trade, and other branches of industry, not having the land for

* This sort of *taille* is called *tariffée*; because it is imposed according to a valuation of the land. It is a late improvement; but still is exposed to numberless inconveniences, which are mentioned in the text.

their object. All merchants and tradesmen, in cities, and in the country, pay the tax called *Industrie*; and the reason given for establishing this tax, as I have said in another place, is in order to make every individual in the state contribute to the expence of it, in proportion to the advantages he reaps. Nothing would be more just, could it be put in execution, without doing more hurt to the state, than the revenue drawn from it can do good.

I shall now shew how, in this tax, all the three requisites we have mentioned are wanting.

1^{mo}, By its nature, it can bear no exact proportion to the profits of the industrious man; since nobody but the person taxed can so much as guess at their extent.

2^{do}, It cannot possibly be provided for, as no check can be put upon the imposer, unless so far as general rules are laid down for each class of the industrious; and from these again other inconveniences flow, as shall be observed.

3^{tie}, It comes at once upon poor people, who have been frequently forced to beg for want of employment before the tax-gatherer could make his demand; and those who remain, frequently become beggars before they can comply with it.

I say, that from the general rules laid down for regulating this tax, as to every class, a workman who has a large family to maintain, is no less taxed than one who has no charge but himself: and it will be allowed, I believe, that the profits of one industrious person of the lower classes, is in no country sufficient to pay any considerable tax, and maintain a large family, much less a sickly one. I therefore imagine, that cumulative taxes never should be raised upon such classes of inhabitants as have no income but their personal industry, which is so frequently precarious.

Merchants also ought not to be subjected to any tax upon their industry. They ought to be allowed to accumulate riches as fast as they can: because they employ them for the advancement of industry; and every deduction from their profits is a diminution upon that so useful fund.

When cumulative taxes are laid upon any of the industrious classes, they tend to check growing wealth; and are most familiarly imposed in monarchical states; where riches are apt to excite jealousy, as has been observed.

But as to the class of land proprietors, that is to say, the more wealthy inhabitants, who live upon a revenue already made, the impropriety of cumulative taxes is much less. They are however burdensome, and disagreeable in all cases, and ought to be dispensed with, when the necessary supplies can be made out by proportional taxes, without raising the prices of labour too high for the prosperity of foreign trade.

From the examples I have given of this branch of taxation, I hope the nature of it may be fully understood; and that for the future no inconvenience will arise from my employing the term of *cumulative tax*. I shall now subjoin its definition.

A cumulative tax, is the accumulation of that return which every individual, who enjoys any superfluity, owes daily to the state, for the advantages he receives by living in the society. As this definition would not have been understood at setting out, I thought it proper, first, to explain the nature of the thing to be defined.

CHAP. V.

Of the Inconveniences which proceed from proportional Taxes, and of the Methods of removing them.

A PROPORTIONAL tax, as I have said, is that which is levied upon the idle consumer, at the time he buys the commodity; and while, by consuming it, the balance of wealth is turning against him, in favour of the seller. This tax is consolidated.

solidated as it were with the price of the commodity, and must of necessity raise it.

I say, it is levied at the time of buying, and affects the buyer, in consequence of his consumption; because we have seen, that when the commodity is not consumed by the purchaser, then upon a subsequent alienation he is refunded all he paid. I consider him therefore; in that case, not as *paying*, but as *advancing* it for another; and while any part of the commodity remains unconsumed, there still remains the equivalent of a proportional part of the tax in the hands of him who advanced it.

I shall now proceed, as in the former chapter, by giving some examples of such impositions; and in examining them, endeavour to shew their nature and consequences.

The most familiar to an Englishman are, *excises, customs, malt-tax, stamp-duties*, and the like.

To a Frenchman the *gabelle*, the *traittes*, the *aides*, *tobacco*, &c.*

In all kinds of this imposition we find the tax regularly reimbursed

* The *gabelle* is a branch of the general farms, and consists of an excise upon salt. The manufacture of the commodity is in the hands of the farmers; and they, for a liberty to sell salt at a certain price, far above the expence of the manufacture, pay to the King an annual revenue of 28 millions of livres.

This I call a proportional tax, relatively to consumers; although in reality no tax-gatherers are employed for the collection of it, contrary to what is the case of all excises; which are never farmed by government to the manufacturers of the commodity taxed.

The *traittes*, or, as they are otherwise called, the five great farms, were established by Colbert, when he took away a multitude of customs paid upon the transportation of goods from one province to another. They answer very much to our customs, or to the duties of tunnage and poundage, and are let to the farmers general for the sum of 12 millions.

The *tobacco* is of the same nature with the salt tax. The farmers general have the exclusive privilege of selling it at a price fixed by the King.

For the farm of the tobacco is paid 15 millions.

The

buried from hand to hand; it adheres so closely to the commodity, that it becomes as essentially a part of the value, as carriage, packing, and the like incident charges, enter into the prices of goods. It never can affect the industrious person who does not consume; and never can be avoided by him who does. Such taxes therefore necessarily raise the price of the commodity taxed.

Having already pointed out the principal advantages of proportional taxes, which is to throw the whole of the burden upon the rich, whom we have called the idle consumers, the better to distinguish them from the opulent class of the industrious; I must now enumerate the principal inconveniences complained of, from this mode of taxation, and trace out the principles from which they may be ascertained and removed.

The principal inconveniences alleged against proportional taxes may be reduced to three:

1mo, That they have the effect of raising the price of labour, and the produce of industry, and thereby prove hurtful to the prosperity of foreign trade.

2do, That they discourage consumption, by carrying the prices of many things too high for people of a middling rank in life.

3tio, That they are both expensive in the collection, and oppressive, from the many restrictions put upon liberty, in order to prevent frauds.

In analyzing every one of these inconveniences, it will be proper to inquire, how far the conclusions against those taxes are drawn from matter of fact; how far from plausible appearances only;

The *aides* resemble our excises more than those we have mentioned. They consist in duties upon liquors, either brought into towns, or sold by retail in public houses; and upon all articles of food sold in corporations, except grain of every kind, which is free. They comprehend also a multitude of other duties superfluous to enumerate. They are collected by tax-gatherers at the gates of every town, who also have access to all public houses, where retail is laid under additional rates. The *aides* are farmed at 38 600 000 livres. These were the rates in the farms let in 1755. They have been since augmented in 1762, as has been observed.

and

and so far as they are real, not imaginary, to discover the methods of removing them.

As the first inconvenience lies in raising the price of all kinds of labour, and consequently of manufactures, I must distinguish between the consequence of raising prices at home, and of raising them upon articles of exportation; and I must consider the one and the other relatively to the collective body of a state, and not to some few individuals in it.

High prices at home are no discouragement to the industrious, most certainly, however disagreeable they may prove to consumers; and while they stand high, it is a proof that the demand of the consumers does not diminish.

High prices upon goods to be exported, are to be judged of by the proportion they bear to those in other countries.

Now the price of a manufacturer's wages is not regulated by the price of his subsistence, but by the price at which his manufacture sells in the market. Could a weaver, for example, live upon the air, he would still sell his day's work according to the value of the manufacture produced by it, when brought to market. As long as he can prevent the effects of the competition of his neighbours, he will carry the price of his work as high as is consistent with the profits of the merchant, who buys it from him in order to bring it to market; and this he will continue to do, until the rate of the market is brought down.

It is therefore the rate of the market for labour and manufactures, and not the price of subsistence, which determines the standard of wages. Were proportional taxes to raise the price of subsistence, and by that circumstance to discourage manufactures, we should see the generality of workmen living with sobriety, depriving themselves of superfluity, confining themselves to the plain but sufficient physical-necessary, working with all the assiduity that a man can support, and still not able to supply the market at the ordinary rates.

When

When in any country the work of manufacturers, who live luxuriously, and who can afford to be idle some days of the week, and still live upon their wages, finds a ready market, this circumstance alone proves beyond all dispute, that subsistence in that country is not too dear, at least in proportion to the market prices at home; and if taxes on consumption have, in fact, raised the price of necessaries, beyond the former standard, this rise cannot, in fact, discourage industry: it may discourage idleness; and idleness will not be totally rooted out, until people be forced, in one way or other, to give up both superfluity and days of recreation.

People are very apt to draw conclusions from what they think ought to be, according to the particular combinations they form to themselves; and for this reason it is generally thought, because taxes are higher in England than in some other countries, that foreign trade should therefore be hurt by them. But the sloth and idleness of man, and the want of ambition in the lower classes to improve their circumstances, tends more, I suspect, to circumscribe the productions of industry, and thus to raise their price, than any tax upon subsistence which has been hitherto imposed in that kingdom.

The whole of this doctrine is proved by experience, and is confirmed by our natural feelings. Many have been amazed to see how well the manufacturing classes live in years of scarcity, which frequently have the effect of doubling the price of the most necessary articles of subsistence. Are they not found, in bad years, more assiduous in their labour? Do they then frequent ale-houses, as in the years of plenty? Are they found idle one half of the week? Why should a tax laid on by the hand of nature prove such a spur to industry; and another, similar to it in its effect, laid on by the hand of man, produce such hurtful consequences? Were a tract of bad years, I dare not say an increase of taxes, to continue long enough to bring manufacturers to a habit of sobriety and application, a return of plenty, and low prices, would

throw into their coffers, what many of them dissipate in riot and prodigality.

Even this conclusion will be too general, if every combination be taken in. Manufacturers there are, who work hard, and live soberly six days of the week, and who at the end find little superfluity, notwithstanding the high price of labour. Alas! they have many mouths to feed, and only two hands to supply the necessaries. This is the fatal competition so much insisted on in the first book, and by which a door is opened to great distress. Either the unmarried gain what the married should, and become extravagant, or the married gain no more than the unmarried can do, and become miserable.

The average between the two ought to determine the rate of wages in every modern society.

The remedies for this unequal competition, flowing from the happy liberty we enjoy, have been considered in another place.

The inconvenience here under examination will not be removed by an abolition of taxes; nor will it increase by the augmentation of them, as long as manufacturers, upon an average, enjoy superfluity and idle days.

Under these circumstances I conclude, that if foreign trade suffers by the high prices of commodities in our markets, the vice does not proceed from our taxes, but from our domestic luxury, which swells demand at home. Were we less luxurious, and more frugal in our management in general, all classes of the industrious, from the retailer down to the lowest manufacturer, would be satisfied with more moderate profits. Let not, therefore, a statesman regulate his conduct upon suppositions, nor conclude any thing from theory, nor from arguments *à priori*, drawn from the supposed effects of taxes; but let him have recourse to information and experience concerning the real state of the matter.

Let him inquire what are the prices abroad; what are the prices at home; how those who work in exportable commodities live;

what superfluities they enjoy; and what days of idleness they indulge in.

If he finds that goods are not exported, because of high prices, while manufacturers are enjoying superfluity, and indulging themselves in idleness, let him multiply hands, and he will reduce them all to their physical-necessary; and by thus augmenting the supply, he will also reduce the prices in his markets at home.

If he wants to reduce prices still lower, in favour of exportation, but finds that he has occasion for the amount of certain taxes, which enhance the value of this physical-necessary, to which he has reduced his industrious classes, then let him grant a bounty upon the quantity exported, more than equivalent to all the taxes paid by those who provide it; and let the people at home continue to pay dearer than strangers, in favour of the state. If you only want to promote exportation by lowering prices, there will be no occasion to lower them universally, any more than there is occasion to put a large plaister over the whole body, to cure a small pimple on a particular part of it.

I have said, that while the rate of the market remains the same, so will the prices of every part of labour and industry, which enters into the composition of the thing brought to market. This is consistent with reason, and experience proves the truth of it; because we do not see wages fluctuate with the price of living. If they do not fluctuate in that proportion, how can we conclude that a rise in the price of subsistence, occasioned by taxes, should raise wages more than when the price is raised by a natural scarcity. It may be answered, that the imposition of a tax gives a general alarm; the effect it must have upon prices is immediately felt; and manufacturers then insist upon an augmentation: whereas, when nature either produces the same, or even a greater effect, people submit to what they think comes from the hand of God, and content themselves with the hopes of better times. I shall allow this argument all its force. But I must observe, that when manufacturers can thus capitulate with their employers, and insist upon

upon an augmentation of their wages, the demand of the market must be greater than the supply from their work. This is the circumstance which raises the price of labour. Let the demand of the market fall, the prices of labour will fall, in spite of all the reasons which ought naturally to make them rise. The workmen will then enter into a hurtful competition, and starve one another, as has been often observed. Let the demand of the market rise, manufacturers may raise their wages in proportion to the rise of the market; they may, in the cheapest years, enjoy the highest wages; drink one half of the week, and laugh at their employer, when he expects they should work for less, in order to swell his profits in the rising market.

I have endeavoured to throw this question into different shapes, the better to apply different principles to it; and upon the whole, I must determine that proportional taxes will,

1mo, Undoubtedly raise the price of every commodity upon which they are properly and immediately imposed; and if they be laid upon bread, and other articles of nourishment, they will directly raise the price of these articles in proportion; but the price of labour will be raised consequentially only, and according to circumstances.

That if taxes be laid upon the day's labour of a man, they will raise the price of that day's labour. What I mean by this, is, that if every one who employs a man for a day, were obliged to pay a penny to the state, for a permission to employ him, the employer would charge a penny more at least upon the day's work performed by the labourer. Were a tax equivalent to it laid on the labourer by the year, it would be of a cumulative and arbitrary nature, and would not raise the price of his wages in proportion; but were it laid upon the workman at a penny a day, and levied daily, in this case, he might raise his wages in proportion. But this is not the practice any where.

2do, The price of subsistence, whether it be influenced or not by the imposition of taxes, does not determine the price of labour:

This is regulated by the demand for the work, and the competition among the workmen to be employed in producing it.

319, If wages rise beyond the physical-necessary of the workman, they may be brought down by multiplying hands, but never by lowering the price of necessaries; because every man will make a profit of the low price, but will regulate his gain by the rate of demand for his labour.

410, If, therefore, the price of his physical-necessary be raised upon him by the effect of taxes, he must work the harder to make it up.

510, If hands increase, after he is reduced to his physical-necessary, the whole class of the manufacturers will be forced to starve.

610, The increase of hands means no more than the augmentation of the quantity of work produced. If, therefore, the same hands work more than formerly, it is the same thing as if their numbers were increased.

From these positions it seems to result, that whenever it is found that manufacturers enjoy wages more than in proportion to their physical-necessary through the year, reckoned upon the general average of married men and bachelors, the method of reducing them to the proper standard, is either to multiply hands, if you want to reduce prices in your own market, or to augment the price of their physical-necessary, if you incline they should remain the same. When the hands employed are really diligent, and prices still too high, then it may be expedient to increase their numbers, providing they enjoy considerable profits. This will cut them off, and reduce the price of commodities; because it will augment the supply.

When the hands employed are not diligent, the first expedient is to raise the price of their subsistence, by taxing it. By this you never will raise their wages, until the market can afford to give a better price for their work. If, when they are brought to be fully employed, you incline to sink the price of labour universally, you

must

must take off some of the impositions which affect subsistence, and at the same time gradually throw in fresh hands, in order to promote competition, which alone will force them to lower their prices in proportion. The whole delicacy of this operation is to prevent competition from taking place after the industrious are reduced to moderate profits; and to promote competition, or to raise the price of their subsistence, until they be brought to the proper standard. Having insisted so fully upon these principles in the xviiiith chapter of the second book, I here refer to it.

I have said, that the price of work is not regulated by the price of subsistence, but by the price of the market for the work. Now I say, that the price of the market may in a great measure be influenced by the price of subsistence. This is a new combination.

The first proposition is undeniable. The price of the market at all times *regulates* the price of work; because it regularly makes it fluctuate, in proportion to its own fluctuations. The price, again, of subsistence only *influences* it; because two circumstances may destroy that influence. A high demand for work will raise the price of wages in years of plenty: a low demand will sink the price of wages in years of scarcity. When therefore it is said, that the price of subsistence *influences* the rate of markets, we only mean, that the average price of subsistence, when good and bad years are taken together, have a certain influence in regulating prices. But this average price of subsistence cannot every where *regulate* the value of work, as the average price of a ship's cargo can regulate the price of every part of it; because the variations there are at too great a distance of time, to be able to compensate one another with respect to all the manufacturing classes of a people.

Could a plan be concerted, either to preserve the price of grain at one uniform standard, or within the limits of 15 or perhaps 20 *per cent.* at all times; and were this to be executed by the assistance of a tax at one time, and a bounty as it were at another; it would certainly have an admirable effect in every industrious nation. It

would

would in a manner take away the difference between good and bad years. The industrious finding themselves subsisted at all times nearly at the same expence, would not feel those alternate motives to be idle and extravagant at one time, and diligent and sober at another.

I have enlarged so much upon the nature of this first inconvenience proceeding from proportional taxes, that I have left myself very little to say as to the second, which is,

2^{do}, That they discourage consumption, by raising prices too high for people of a middling rank in life.

In answer to this, I must observe, that all the amount of proportional taxes is refunded to the industrious consumer, so far as they are raised on articles *necessary* for his subsistence; and when he is either idle, or consumes a superfluity, he is classed along with the idle and rich. Now if the rate of market prices be high, relatively to the income of certain individuals, it can only be because the supply of the things they want to consume is not above the proportion of the demand of those who are richer.

If, therefore, the rate of the market affords such profits to manufacturers as to render them idle and luxurious, how can the augmentation of these profits, by the abolition of taxes, and consequent diminution of the price of subsistence, ever diminish the competition of the rich, unless the supply be augmented?

But if the high prices of our own markets cut off the demand of strangers, then every principle laid down in the 10th and 18th chapters of the second book, must be applied to bring them down: and so far as taxes, which are imposed either to supply the exigencies of the state, or to cut off consolidated profits, enjoyed by manufacturers in consequence of our own extravagance, have contributed either to raise them, or to support them when raised, above the foreign standard, a full equivalent, in the way of bounty, must be given for them, in order to bring the exportation price of goods below the level of foreign competition.

I come

I come now to the last inconvenience alleged against proportional taxes, to wit, the expence of collecting them, and the oppression which is a consequence of the many restrictions laid upon liberty, in order to prevent frauds.

As to the expence of collection, it is entirely in proportion to the disposition of the people to defraud the public.

In France, the collecting the branches of cumulative taxes, such as the general receipts, comprehending the *taille*, poll-tax, &c. costs the state no less than 10 *per cent.* or two sols in the *livre*, which is superadded to those impositions, in order to defray that expence. Whereas in England the expence of collecting the excise, administered by commissioners, who act for the public, not by farmers who act for themselves, does not cost above 5 *l.* 12 *s.* 6 *d.* in the 100 *l.*

This matter of fact is sufficient to prove, that excises, when under a proper administration, are not so very expensive in the collection as is generally imagined; and they would still be attended with less expence, were some proper alterations made in the present method of imposing them. This will appear as we go along.

The *oppression* of levying excises does not, in any proportion, so much affect those who really *pay* them, as those who only advance them for the consumers.

This distinction which we have already made, will appear well founded, upon examining the complaints which are commonly made against the collectors of this duty.

We have seen that in the taxes upon salt and tobacco in France, there are no duties collected upon the people; the farmers of the salt have all the salt marshes and salt pits assigned to them, by the King; no person, not privileged, is allowed to make salt for the consumption of those provinces which are subjected to the *Gabelle*.

In like manner the distribution and sale of tobacco is exclusively in the hands of the farmers: they buy it either from Great Britain, or from the Dutch at second hand; they manufacture it themselves, and sell it over all France, at the price set upon it by the King; and we saw, that during the last war, they paid thirty millions down for a permission to raise the price of it 10 *per cent.* during ten years.

This

This price fixed upon the sale of tobacco, answers exactly to what we know under the name of affize, which ought constantly to attend all excises*: for want of observing exactly that regulation, the publicans and victuallers in England raised the price of their strong beer one halfpenny *per* quart, in consequence of an additional duty of three shillings *per* barrel imposed *anno* 1761, which is at the rate only of one farthing *per* quart †.

When the sale of an exciseable commodity is vested in a company who manufacture it, by exclusive privilege, the whole oppression of collection is avoided; because the company itself then pays the duty, and they draw their reimbursement from proportional profits on the sale of the goods.

This is the greatest advantage of the farm above the public management of a tax.

* When excises are imposed upon any commodity, it is contrary to all principles in fixing the affize, not to superadd the whole duty imposed to the former selling price. This however is sometimes omitted, with an intention to make part of the duty fall upon the manufacturer, to the ease of the subject. The consequences are,

1^{mo}, The manufacturers blow up the spirit of the people against the tax, who never would think of making an outcry, were they not excited to it by the interested motives of the manufacturers. Were high profits allowed on imposing the tax, manufacturers would be quiet: and if the profits were afterwards found to be too high, it would then be a popular measure to reduce the selling price, and also a means of setting people on the side of government, against the manufacturers, who are their real tax-gatherers.

2^{do}, It is impossible to compass the end proposed. A proportional tax, rightly imposed, must be drawn back; and all attempts to prevent it, only occasion a multiplication of frauds, and a bad manufacture.

In fixing affizes upon the manufacture of goods, which in different years vary in their price, regard should be had to such variations; otherwise the manufacturer is distressed, and the public is ill served: and the one or the other happening, the people are animated against such duties.

The only expedient to share the profits of the manufacturers of exciseable commodities, is to lay them under some cumulative tax which they cannot draw back, such as making them pay for a licence.

† It must, however, be observed, that the price of beer was not raised, either by the brewers, or by the victuallers, on account of the additional malt-duty, *anno* 1760.

When

When excises are levied upon those who manufacture the commodity excised, the oppression of the laws falls upon the manufacturers, although they only advance the tax, and draw it back from the consumers upon the sale of the commodity.

It is greatly for the advantage of every consumer in the kingdom, that no fraud in the collections should pass unobserved; because all the profits arising from frauds belong to the manufacturer, who in reality is the tax-gatherer, as much as the farmers in France, when they sell their salt and tobacco. But as the farmers appear in the light of King's officers, and that the collectors seem to bear hard on those with whom they live, people foolishly imagine, that were brewers, for example, more gently dealt with, beer would come the cheaper to themselves. This is a mere delusion; because no brewer whatever will sell his beer cheaper than either an affize, or the ordinary rate obliges him to do, let his profit, from frauds, be ever so great, and his address in committing them ever so successful; and the less productive the tax turns out to be, the more the other impositions upon the people must be augmented, in order to make up the deficiency.

If we compare therefore the oppression of excise-laws felt by those who only *advance* these impositions, with the ease which the consumers find who really *pay* them, we may judge of the advantages which the proportional taxes have over the cumulative.

The excise, as paid by the brewer, is really of the cumulative kind. The exciseman demands money of him, at a time when no alienation takes place, and perhaps when he is not prepared to make the advance for his customers, who must refund it to him with profit: besides the hopes of being able to defraud is disappointed, and it is always disagreeable to be disappointed in what we either wish or hope.

Were all mankind honest, the inconveniences of levying such taxes would be less; but as that is not the case, methods must be fallen upon to disappoint the intention of committing fraud. The only way to accomplish this, is, to render it difficult and dangerous. While every individual has a liberty to manufacture an exciseable

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commodity

commodity in whatever place he thinks fit to enter for that purpose, when every one has a liberty to sell liquors, which, upon retail only, are subjected to excise (as is the case in France) must not collectors be multiplied in proportion to the occupation which such policy implies? And will not these collectors oppose frauds to frauds, in order to profit by them, at the expence of the merchant or manufacturer? This will sow discord and hatred between two classes of the same society, and thereby the state is hurt. All discord hurts a state, as it does a private family.

It is out of my way to lay down plans for preventing such inconveniences. It would require an intimate knowledge of every circumstance relating to the country for which the remedy is intended.

I shall therefore endeavour only to throw out some useful hints, by mentioning the impositions where the inconveniences in levying are the least; and by comparing these with other impositions, where the oppression in levying appears to be greater, the contrast of circumstances will suggest the principles upon which a plan might be formed.

There are many more frauds and difficulties in collecting excises in the country than in cities, from the number of manufacturers employed in them. It is just so with the *aides* in France, from the number of retailers. There are very few frauds and little difficulty in gathering the malt-tax; because the object is unwieldy, and the places of manufacture are fewer.

The frauds upon tobacco and salt in France, do not proceed from those who manufacture them, but from those who introduce foreign goods to supply the place of those manufactured by the company. This shews that excises should be made as general as possible over a country; because local exemptions introduce, as it were, a foreign country into the center of a state.

Stamp-duties are seldom defrauded by forging the stamp; but in France, where they extend to almost every deed of alienation, the public is defrauded by private bargains.

Customs are defrauded by the liberty given to trade in every port; and from the want of convenient public magazines, as a proper repository for all goods brought by sea.

It may be said, in general, that frauds are most frequent upon the new establishment of taxes; that those who complain most of the oppression of them, are precisely those who have the least reason for it; and that the cause of their complaint proceeds rather from the inconvenience in paying when they are not prepared, and the disappointment in defrauding, than from any real oppression arising from the laws of excise: the hardships of these laws are owing to the necessity of general rules to prevent frauds; and such rules would be unnecessary, could the liberty of committing frauds be circumscribed.

One very good method of raising proportional taxes, without great expence or oppression, when the situation of a country will admit of it, is to levy no such duties, but at the gates of towns and villages, which in this light appear to be political inclosures. At those gates every produce of the lands, and every manufacture not made in the town, might pay a tax upon coming in; every manufacture made in the town, might pay a tax on going out: all fruits consumed in the country might be free; all manufactures made and consumed in the towns might be free also. If we consider the quantity of exchange between the inhabitants of towns and those of the country, and between town and town; that fund, I believe, would be found sufficient to raise more by proportional taxes than what is raised in any country in Europe.

A second method of diminishing the expence, and also the burden of proportional taxes, is to exact nothing of the manufacturers, but to prohibit the delivery of the manufacture to any one who does not present a permit from the excise office, signifying that the tax has been paid. This is the method observed in the Austrian low countries, where excises are carried to a very great height. There the transporters or carriers of excisable goods, are formed into a corporation, and none else dare to transport them.

Whoever has seen the execution of those regulations will not be very fond of them; but the inconveniences which occur proceed from the political situation of all those towns, the public debts of which are so enormous, that to pay the interest of them excises have been carried so high as to banish manufacturers into the country, where few excises are levied. It is from the country and many considerable villages, which have not the privilege of running in debt, that the manufactures of that country are carried on. No industrious man can afford to live in the towns of the Austrian Netherlands, except he who supplies their consumption; and in no place, I know of, is work so dear as there.

Were great excises levied upon the furnishers of the goods, as is the case in Great Britain, and were as little restraint laid upon their frauds, those duties would not produce what they do; and the oppression would be intolerable; whereas by the policy established, nothing but the high price of goods is complained of. A third method of avoiding both expence and oppression in levying proportional taxes, would be to confine the fabrication of all articles charged with them to certain places properly inclosed. Were those undertakings few and large, were spacious magazines of all sorts prepared, at the public expence, in all sea-port towns, and surrounded with walls, an entire liberty might be allowed within the inclosures, and no questions would be asked, but on going in and coming out. Under such regulations a state would reap great benefit. *1st*, There would be considerable savings in collecting. *2^{dly}*, There would be great savings on the number of hands employed in manufacturing: forty men, in a large brew-house, make more beer than an hundred disposed as they are in country villages. This resembles the introduction of machines into manufactures.

The objection from the infringement of liberty is more a pretext, in order to facilitate fraud, than any thing else. Are not those who manufacture exciseable commodities, the servants of the state? Are they not even the collectors of the public revenue? With what face then can they pretend to be indulged in the means of defrauding

ing their customers of those taxes which they wish to put into their own pockets, by withholding them from the public. Has liberty any other meaning, but an entire permission to do whatever is not forbid by general and wholesome laws, calculated for the universal good of the society; and shall this class of men, who are enriching themselves as much by the profits they have in advancing the taxes, as by their industry, be considered in as favourable a light as another who is paying a cumulative tax out of his income, one farthing of which he never can draw back?

If any should misinterpret the doctrine of this chapter, I must put them in mind of my original plan, which was to keep constantly in view those virtuous statesmen who think of nothing but the good of their subjects. Taxes and impositions in their hands, are the wealth of the father of the family; who therewith feeds, clothes, provides for, and defends every one within his house. The increase of taxes on this supposition is national economy, as shall be afterwards shewn; frauds are the thefts of servants impairing the public good, and particularly the means of self-defence against the incroachments of ambitious neighbours.

As it is the duty of every statesman to make his people happy and flourishing, perhaps the speculations of one whose only interest in throwing them upon paper is to fill up his leisure agreeably, may some time or other tend to promote so glorious a purpose.

C H A P. VI.

Cumulative and proportional Taxes compared with one another, and farther examined.

AFTER examining separately the nature and effects of cumulative and proportional taxes, it remains, for the more fully understanding this subject, to take a view of them together; the better

better to find out wherein they really differ, and how far the difference is only apparent.

It has been observed, that the payment of taxes diminishes no part of the produce of either land, or industry; the whole amount of these remains entire to the subjects of the state.

The taxes are paid out of the money which circulates in the alienation of them: from which we have concluded that they must constantly be confined within a certain proportion to alienation. We have also observed, that the imposition of taxes augments the mass of circulation, and makes it requisite for a statesman to contrive some method of increasing money in proportion to their increase. I hope these propositions have acquired an additional confirmation, from what has been already said in the preceding chapters.

We have also seen how the amount of proportional taxes is ultimately taken from the superfluity of the rich, whom we have called the idle consumers: and how they are advanced by one set of the industrious, and refunded by another, until at last they fall upon those who cannot draw them back from any body. These last have been said to *pay* the taxes, the others only to *advance* them.

If therefore we suppose all desire of defrauding out of the way, we shall find the whole burden of proportional taxes confined to the inconvenience of advancing their amount by the industrious, and to the payment of them by the rich, which proportionally diminishes their income. Where credit therefore is well established, where payments are regularly made by buyers to sellers, and where people proportion their expence to their free income, the weight of proportional taxes will be very small. I appeal to experience for the truth of this.

Let us next examine the nature of cumulative taxes, as we have called them, in order to distinguish them from the others.

In these, alienation is not necessary at the time they are paid; from which it follows, that, in many cases, they cannot be drawn back. When a man pays his land-tax out of his rent, what remains to him

will

will not buy more of any thing than if he had paid nothing. Nay, were the state to indulge him and take his tax in corn, the corn which remains to him would not bear an advanced price, unless the state should export the quantity he had given; and then indeed, by diminishing the supply, it might raise the price of grain in general; but every one having grain to sell would profit of the rise upon the price, as well as the landlord, whose share does not commonly amount to one third of the crop.

But were a tax laid on in so regular a proportion to the value of any property, as to prevent the proprietor from making use of that part which the public intends to take from him, those who pay cumulative taxes would thereby acquire one very great alleviation of their burden.

I have said that when a brewer pays the excise, the tax, as to him, is of the cumulative nature. It is so in a certain degree, no doubt, as may be seen without farther explanation; but it still so far retains its own nature as to be easily drawn back from the consumer. But how can a soldier draw back the tax he pays to Chelsea?

From this material distinction between the two impositions, I conclude, that no objection can lie against proportional taxes, so far as they affect the industrious; because they draw them compleatly back: and that great objections lie against cumulative taxes, when they affect the industrious, because they cannot draw them back; and consequently, they may affect the physical-necessary of the contributor, in case no profit should remain to him upon his labour. On the other hand, I think little objection can be made to cumulative taxes, when they are imposed upon possessions, which produce a visible annual revenue, clear to the proprietor. This is the nature of the *dixiemes* and *vingtiemes* in France; where the whole amount of the person's income is taken upon proper proof, and taxed in proportion to it, without any subsidiary or second levy's taking place, to make up a determinate sum.

Cumulative taxes would also be far less burdensome to the lower class, could they be levied, so as, first, to preserve the proportion of them

them to the actual profits on industry: secondly, to make that proportion sensible to the people: and in the last place, to *retain* the tax, instead of allowing them first to receive it, and afterwards obliging them to refund it.

In proportion as these three requisites do not take place, such taxes become grievous to all who have no fixed income.

To put a tax upon a man's dwelling house, in proportion to its windows, or hearths, when the house produces no fixed income to him, and when he has none independent of it, may take away a part of his physical-necessary. To put a tax upon him because he has a head, is more grievous than to put a tax upon his hands, in proportion to what they daily gain.

If cumulative and proportional taxes be compared, with respect to the different effects they are found to have upon our opinions as to taxes in general, we find that both of them deceive the contributors, but in different ways.

In the cumulative taxes, the person who pays does not always perceive the reason of his paying. He imagines that he is taxed only because it is known that he is able to pay a certain sum.

In the proportional, the deceit is of another nature. When a person buys a consumable commodity, which has paid an excise, he does not perceive that the price he pays for it comprehends a tax upon his past gains, in favour of the public; but he concludes the whole to be necessary, in order to procure what he has an inclination to consume. An example will make this plain.

Suppose a tax laid upon wheel carriages, and that every person in the state were liable to pay a certain sum in proportion to the number of carriages he has for his convenience. The tax-gatherer comes at the end of the year and demands the sum. The person complains that he is not at liberty to have a coach or a chaise without paying duty for it; and that while he has occasion for one carriage only, and has but one pair of horses, he is obliged to pay for several sets of wheels.

Now, suppose this cumulative tax were turned into a proportional one, and that wheels were to pay a stamp-duty, or the like,

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in the hands of the wheelwright. The price would immediately rise; but this rise would soon become familiar to the man who has the carriage; and he would then be no more hurt by this additional expence, than if it had proceeded from some new and expensive fashion of wheels: in short, wheels would generally begin to bear an advanced price, and very soon no body would inquire how it came about, nor once complain of the tax.

To set this in another light, the difference between the two impositions resembles that between long and short accounts, which to poor people is very great. When the expence of living is insensibly and universally augmented, by the effect of proportional taxes, then the industrious man, who enjoys neither superfluity or idleness, may and can augment the price of his work in proportion. This augmentation forms then a part of what has been called his (A), which he draws fully back when he comes to market. But if the same, or even a less sum be raised upon him by a cumulative tax, it comes upon him at the end of the year, or at the end of the quarter, and let him be ever so provident, he cannot draw it back, or raise the price of his work, because of the unequal competition of other people of his own class, who, from a variety of circumstances, cannot all be so equally loaded by the cumulative as by the proportional taxes. Besides, they may not be so provident as himself, and may work for subsistence, without making any allowance for what they are to pay the state at the end of the year. Thus a double inconvenience ensues. The industrious poor are oppressed by the tax-gatherers, and the tax is ill levied. In the other case, the first never see a tax-gatherer, and the money is paid. Besides these advantages in favour of proportional taxes, there is still another, that if this tax be improperly laid on, the defect will manifest itself by checking consumption only; whereas in the other case, it will be known by the distress of individuals.

If the liberty not to consume be taken away, as in the gabelle in some provinces in France, then the imposition changes its

nature and becomes a cumulative tax, as may be easily perceived*.

It has been said, that so far as the three inconveniences of the cumulative taxes can be prevented, they cease to be oppressive. From which we see the reason why excises are so easily paid when those who manufacture the commodities charged with them, are contented to compound for them. This changes the tax into one of the cumulative kind; but gives it every requisite to make it easy. Let me take an example.

A brewer who pays excise for all he brews, is exposed to the daily visit of the excise-man, to whom he pays the duty. Here the brewer's imposition participates of several of the inconveniences attending cumulative taxes. But let me suppose that after a certain time he finds that 100 *l.* is the annual amount of his excise. If he makes a composition for it at that rate, he comes under a regular cumulative composition, with every advantage. He thinks no more of frauds; he no more grudges what he pays; and becomes in a manner collector of that imperceptible duty paid by all his customers.

The easy method of transforming these taxes into one another, shews their resemblance sufficiently, and the differences which we have pointed out, shew the principles which regulate the proper manner of imposing them.

* The *gabelle*, or salt-tax in France, is not levied in every province; because of certain privileges of exemption, which some have all along enjoyed.

This opens a door to the greatest abuse, by smuggling salt from places where it is free, into places where the tax is imposed, at many 100 *per cent.* above the value; and obliges the King to use great severity upon those who are loaded with this duty.

The consumption of every family is fixed to a certain quantity; and if it be found that they have not bought, from the King's granaries, to the full extent of what is reckoned necessary for them, it is supposed that the deficiency has been made up from contraband salt, and the deficiency is exacted.

C H A P. VII.

Consequences of Taxes when the amount of them is properly applied.

WE have now seen the objects affected by taxes, and the inconveniences which result to those who are obliged to pay them.

It comes next to be examined, whether or not taxes of all kinds be a great load upon a people, a grievous infringement of their liberty, a means of bringing many honest and industrious people to great distress, and a great discouragement to marriage. I answer without hesitation, that taxes may be, and most commonly are accompanied with all these and many more inconveniences; but I must add, that they proceed from the abuse, and not from the nature of taxes.

In my inquiries, I have constantly in my eye, how man *may* be governed; and never how *he is* governed. How a righteous and intelligent statesman may restrain the liberty of individuals, in order to promote the common good; never how an ignorant and unrighteous statesman may destroy public liberty, for the sake of individuals.

Raising money by taxes must always be burdensome, less or more, to those who pay it; and the advantages resulting from taxes can only proceed from the right application of the money when raised.

When individuals only make a profit of the inconvenience of taxes, the public loses, no doubt; because they are paid for the advantage of the public, not for that of private people. If the money raised be more beneficially employed by the state, than it would have been by those who have contributed it, then I say the public has gained, in consequence of the burden laid upon individuals; consequently, the statesman has done his duty, both in imposing the taxes, and in rightly expending them!

Taxes, in this last view, may be considered as a saving out of every private fortune, in order to procure a public fund to be expended for the public benefit.

I have frequently recourse to the familiar examples of private oeconomy, in order to make applications from it to the political; which, however different it may appear, will be found easily deducible from the same principles.

Let me suppose two persons, (A) and (B), living in the same neighbourhood, of the same rank and fortune, enjoying great superfluity, but spending yearly the whole of their income in different ways.

Let the income of both be supposed to be 2100*l.* sterling; and let the branches of their expence be ranged under six different heads. Let (A) be supposed to spend upon the first 100*l.* on the second 200*l.* on the third 300*l.* on the fourth 400*l.* on the fifth 500*l.* on the sixth 600*l.* in all 2100*l.*

Let us suppose (A) to enjoy in every one an ample sufficiency. (B), on the other hand, spends upon his first article 1600*l.* and upon each of the other five, no more than 100*l.* Here the first article of (B's) expence is sixteen times greater than any of the rest; and by the supposition, 100*l.* is supposed to denote an ample sufficiency upon each article.

I come to (A), and I say to him, you disapprove of the extravagance of your neighbour (B) upon his first article of expence, where he spends sixteen parts of his income, and where you spend but one; and yet you must allow that upon every other article of his expence, he is a better oeconomist than you. Would it not be for your interest to bring the other articles of your expence down to his standard, without increasing any thing upon your first article, which is already within the compass of what may be called sufficient.

To what purpose, says (A), would you advise me to so strict an oeconomy? And what should I do with so great a saving on my annual income? Be in no pain about that, I shall lay it out for you in discharging your debts; in providing for your children, and

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giving them a good education; in improving your estate; repairing your house; making up your inclosures; all shall be usefully spent; and out of 600*l.* a year, you shall have every thing necessary for your family.

Here is the representation of a scheme between a good statesman, and a people whose interest he consults.

After the imposition of taxes, the individuals of a state, whose income is already formed, begin to pay greatly more than they used to do for every thing they consume. A great part of this additional price goes to the public, and is thereby laid out for national purposes. The whole of such expences are thrown into circulation, as much as if the rich proprietors had laid it out upon articles entirely adapted to their own taste.

Is it not evident, that in this way of appropriating the income of a country, it must produce a more extensive encouragement to industry of all kinds, than if the proprietors only had spent it? They never would have thought of becoming merchants, or of setting up manufactures for the supply of foreign markets: their whole expence would have been calculated to supply their own wants; and it would have been indifferent to them whether these were supplied by natives or by strangers.

Let us apply this doctrine to common experience. Let us compare the nature of circulation in a trading town, with that of a country place, where many gentlemen of large fortunes reside. How extensive the objects of the first! how contracted those of the latter!

Let us compare again the exigencies of government, with those of a trading city, what a variety of *new* wants here occur to be supplied; which the city never could have occasion for?

I have shewn that the great amount of taxes is taken from the income of those individuals whose fortune is already made, or whose daily profits are considerable: I have suggested how circumscribed the expence of this class must be, when considered with respect to the employment it procures to the body of a people. Does

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not the experience of former ages show how apt private opulence is to sink into treasures, when a taste for industry does not animate the lower classes to create new objects of desire in the wealthy? Wherein is a state benefited by the luxurious gratifications of the rich, unless it be by the employment they procure for those who provide the objects of luxury? Those very gratifications are, in one sense, taxes upon the rich in favour of the industrious: they increase expence, and throw money into circulation. In Spain and Portugal, where industry is not introduced among the lower classes, it is the strangers who in effect levy such taxes upon them. Were the taxes they pay, properly applied to the encouragement of the arts, instead of being appropriated to private purposes, and to enriching private men, whose taste for expence is always circumscribed to the objects of their own wants, how soon should we see them vying with us in every market of Europe, and supplying themselves as far as their country is calculated for it.

The reciprocal wants of industrious nations, resemble the reciprocal wants of tradesmen; all may be employed in supplying one another, as well as themselves.

When the amount of taxes is properly laid out in premiums, for the encouragement of the industrious, the prices of labour upon articles of exportation, may be brought so low, that all nations who do not follow the example, must languish and decay. Luxury at home will then cease to hurt the trade of the nation. In her treaties of commerce, she may throw open her ports to many articles of foreign consumption, without running any risk by such allowances; and on the other hand, she will reap the greatest advantages from a reciprocal permission.

The example I have given, by which I have illustrated the nature of public contributions, must not be understood to tally with respect to proportion. It would be both ridiculous and impossible to reduce all the expences of rich men to the purely sufficient. All I meant was, to shew how taxes, when properly applied, may be considered as public oeconomy; and how the levying of them has no direct tendency to hurt a nation in point of ease and prosperity.

C H A P. VIII.

Of the extent of Taxation.

ONE good way to discover the nature of taxes, is, to examine how far it may be possible to carry them. This is my intention in this chapter.

I have said that the object of taxes was income, and not stock. I have shewn how those of the proportional kind affect the income of stock already made, and persons who enjoy large profits upon their daily industry. I have pointed out the impropriety of cumulative taxes, when imposed upon such as draw nothing more from their industry than an easy subsistence; and I have given a general preference to those of the proportional kind; because they constantly imply both alienation and consumption: alienation in those who advance the taxes, consumption in those who pay them.

Could, therefore, taxes be levied upon every alienation, where consumption is implied, and that in proportion to the whole superfluity of those who are to consume, proportional taxes would be carried to their utmost extent.

I shall now analyze this subject, in order to discover how far that extent may reach; and by this inquiry, the principles of taxation will be the better understood.

The objects of alienation comprehend all that is in commerce among men, moveable and immoveable.

What is moveable is generally consumable, what is immoveable is generally not so.

As consumption is a requisite, together with alienation, in order to form a proper basis for proportional taxes, we see how contrary to principles it would be, to tax the alienation of lands, houses, &c. in the same proportion as consumable commodities. These are

funds, not *income*; and the money with which they are purchased, must be considered in the light of a fund, while it is in the hands of the buyer. When once it comes into the hands of the seller of the immovable objects, it frequently, indeed, partakes of the nature of income; that is to say, it is spent in the consumption of fruits, and of the labour of man; and then it will be affected by taxes.

This may suffice to recal to mind the principles we laid down in the 26th chapter of the second book, concerning the effects of the vibration of the balance of wealth between the members of a modern state.

The next thing we are to consider, is the state of circulation. As to that, we have frequently observed, how it must be in proportion to alienation.

This proportion is not determined by the value, or denominations of the money circulating; but by that value combined with the frequency of transitions from hand to hand; as the force of a cannon ball is estimated by the weight of the ball, and the swiftness of the motion at the time it strikes.

Let us now lay aside the consideration of immoveable property, and examine the nature of consumption, alienation, and sale, with respect to other things.

Consumption comprehends every thing produced by the earth, or by man; alienation is confined to that part which is exchanged between men; and sale to that part of alienation which is exchanged for an equivalent in money.

Whatever part is consumed without alienation, ought, I think, to be out of the reach of proportional taxes, unless, by some circumstance or other, it can be made to fall under the eye of the public, in a manner *resembling* its coming to market. Thus a tax upon malt is levied at the malt-house, as if it were sold to the maltster, although it be made for the consumption of the grower of the barley. In like manner, a tax upon corn for bread may be levied

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either at the mill where it is ground, or at the oven where it is baked*.

The worst kind of proportional taxes are those which are levied upon *private* manufacturing, and upon unmanufactured consumption, where no alienation takes place. An example of the first we have in the excise upon malt, cyder, candles, &c. made in private houses for private use: the last is known in Holland, where a man cannot kill his own pig, or his own calf, without paying a tax. Were taxes of that nature extended to the making of bread, cooking of victuals, &c. I apprehend they would become of a nature more burdensome than any hitherto invented, unless public cooks were established, as public ovens are in many parts of France: in such cases, taxes might be levied upon every part of consumption.

Investigations of this nature are so disagreeable, that it is with reluctance I mention them; but when, in fact, such taxes are found established in different countries, it is highly proper, that the nature of them should be inquired into.

Taxes in Holland are so multiplied, as to descend to this category, in many places, as we have seen by the example just given; but even these, however oppressive they may appear to those who are not accustomed to them, are still less so than many of the cumulative kind we have mentioned, particularly the tax upon industry and the capitation in France. They approach nearer to proportional taxes, and derive every alleviation of their burden from that circumstance. He who pays such taxes, sees that he can avoid them, by retrenching his consumption; and when they fall upon the necessaries of life, he may draw them back, providing he be an

* Examples of these kinds of taxes were familiar in former times. Vassals were obliged to grind in their Lord's mill, bake in his oven, press their wine in the public press of the territory, &c.

This was found very useful, in ages when alienation and sale were little known; but now they are considered as oppressive, and so I think they are, when compared with proportional taxes, which only take place upon the sale of the commodity: but still they are far preferable to many taxes of the cumulative kind.

industrious man, and that every one who enters into competition with him for employment, be equally subjected to the same burden. But they are more burdensome than those where sale takes place; because when a poor man, who wishes to consume, wants money, he considers himself in the same light as if the thing were not to be sold; but when he has that which he has acquired by his labour, and cannot consume it for want of money to pay for a permission, as it were, he must either starve for hunger in the midst of plenty, or be reduced, perhaps, to beggary, for having preserved his life by defrauding the tax.

What has been said, is, I think, sufficient to shew the varieties which occur, when taxes are imposed upon bare consumption, where no alienation takes place: they must, in every respect, be ranged under those of the proportional kind, although some principal requisites be wanting to engage any one to approve of their institution.

It appears still more difficult to establish a proportional tax upon barter, or the exchange of commodities one for another, unless sale be understood. This would be the case were a private person, not subject to the excise upon malt made in his own house, to pay in that commodity. He would not there escape the imputation of fraud; and might, with propriety, be considered as a retailer. I do not, however, doubt but examples of taxes upon barter might be found; some even occur to myself; but they are almost too trifling to mention*.

The last and principal requisite, to render proportional taxes easy and light, is sale. There the burden must be proportional to the buyers purse; and if it prevents the consumption of the thing taxed, the defect will manifest itself.

Of these taxes we may say, that they are in proportion to circulation; and accordingly, we see how difficult it was to raise them,

* Two gentlemen in France exchange casks of their wine, they are both obliged to pay a tax upon removing the wine from their cellar. This duty is called *Remuage*.

so long as circulation remained confined to the small quantity of coin in the country. As money increased, both by the increase of trade and alienations, they became more productive; and were the nature of them rightly understood, and were they properly imposed, they would soon be more generally adopted.

In treating of public credit, I have said that it is the duty of a statesman to augment the quantity of money, in proportion as he intends to multiply taxes on his people. I shall now, before I conclude this chapter, explain the meaning of what was there thrown out relatively to another subject.

The money of a country, we have said, bears no determinate proportion to circulation; it is the money circulating, multiplied by the number of transitions from hand to hand. Again, we have said, that the prices of all things are determined by demand and competition. The meaning of this, as it concerns the present question, is, that in proportion to the competition of those who appear with money, in order to acquire what comes to market, a larger or a smaller sum is brought into circulation.

Now, according to the principles laid down in the first chapter, we saw how the full value of the industrious seller's expence and profit were made up to him in the sale of his work; and if he even advanced any tax upon any part of his work or consumption, that it was refunded to him by the buyer, who, if he consumes in the light of an idle man, pays for the whole.

Farther, when a proportional tax is imposed, we said it was, in a manner, as if the state interposed at the time of alienation, and exacted of the purchaser a certain value in money, in proportion to the commodity, as the price of the permission to acquire what his own industry had not produced. From this I draw the following consequence, that in proportion to the tax an additional sum of money is drawn into circulation, which would otherwise have remained in the pocket of the purchaser; consequently, on imposing proportional taxes, they cannot, at first, exceed that proportion of money.

which is found in the pockets of the consumers, over and above what they used to pay for what they consumed.

The truth of this proposition is established upon many facts. First, in countries where people keep their money locked up, proportional taxes are very well paid. Hence the great amount of the *alcavala* and *cientos* in Spain, which amount together to 14 *per cent.* upon every consecutive alienation of the commodities, chiefly indeed for the consumption of the rich.

Secondly, When excises were augmented in England, in the reign of King William, Davenant tells us, that the price of the goods excised fell.

Thirdly, When a war has lasted any time in France, taxes cease to be so productive.

Are not all these, and many other appearances, resolved upon the same principle, viz. that taxes must come out of that money which exceeds what was necessary for carrying on alienation before they were imposed?

In Spain they draw money from the chiefs of the hoarders, and increase circulation for a while.

In England, during King William's wars, the quantity of money being very small, and trade being very low, the tax upon malt could come out of no other fund than the price usually given for barley.

In France, people are better acquainted with taxes, and the great bulk of excises are administered by the farmers, who never lower their price; so that the diminution of the mass of coin diminishes consumption.

But when methods can be fallen upon to increase money according to the uses found for it, taxes will continue to produce, consumption will not diminish, and circulation will keep pace with them.

Could we suppose, that before the imposition of taxes, every person in a state had laid it down as a rule, to spend the whole of his

income; but none of his treasure, in the consumption of what is brought to market, it is plain, that in a luxurious nation, taxes might be carried so high as to draw the last farthing of the treasure into circulation, even though it were supposed to exceed the value which demand had fixed for all that was brought to market. But without a luxurious turn this would not be the case. There are countries abounding with coin, which it is impossible to come at by proportional taxes. The reason is plain: the value which demand fixes upon the total of the articles of consumption exposed to sale in the country, bears but a trifling proportion to the coin which remains locked up. This was the case in ancient Greece. In that case, proportional taxes can never exhaust the treasure; because were they to be made high upon articles of the first necessity, all the poor would starve; if upon articles of superfluity, demand would stop.

Proportional taxes, therefore, can only be raised in proportion to the desire of spending money; and as this desire depends upon the spirit of the people, so must the extent of taxes.

Let me now trace a little the progress of money brought into circulation by proportional taxes in a luxurious nation. I shall call the value, fixed by demand, for all that comes to market (Y). The sum levied in consequence of the alienation of it, or in other words, the sum of the proportional taxes (X). And the whole money of the country (Z). This premised, it will follow, from what has been said, that so soon as all the money of the country is brought into circulation, then (Z) will be exactly equal to the sum of (Y) and (X).

Let us next suppose the whole alienation to be made at once. Will not (Z) then immediately appear divided into (Y) and (X)? What then will become of those two sums which we suppose to enter into circulation at the same time? I answer, that (Y) will go entirely free to the industrious seller: that it is, or should be, nearly equal to the former value of what came to market before taxes were imposed: and that (X) is an additional sum drawn from the idle consumers, who live upon an income already made. But suppose (X) to be augmented, until it exceeds the quantity of money formerly

formerly superfluous for carrying on alienation: then I say, that either taxes will become proportionally less productive, or consumers must melt down the capital of their funds into paper money, to the amount of the deficiency of (X); and this will supply circulation with the additional sum required in consequence of the imposition of taxes.

Now, I think, it is a lucky circumstance, that the additional sum of taxes should be paid by those very people who are the best able to borrow it upon their funds.

Let us proceed to examine the progress of (Y) and (X) as they continue in circulation. (Y) is no sooner come into the hands of the industrious seller, but he has occasion to go to market: that moment I consider him as one of the rich; and the money which, at the time he sold, had acquired the denomination of (Y), now resumes that of (Z). When he comes to buy a commodity with what was formerly his (Y), there is immediately a part of it converted into a new (X), and the remainder keeps the denomination of (Y) in the hands of him from whom he buys. By this progress it is plain, that after a certain number of alienations, or transitions from hand to hand, the whole quantity (Y) will be converted into (X).

Experience shews this to be the fact; because the amount of taxes, in a short time, far exceeds the value of all the money of a country.

Let us next follow the progress of (X).

Upon the first alienation of any part of what comes to market for the consumption of the proprietors of (Z), a proportional part of (Z) is transformed into (X), and is carried into the public coffers. Were it there to be locked up, and not thrown back into circulation, it is plain, that in a short time the whole of (Z) would be converted into (X), and would be shut up in the exchequer.

When the amount of taxes, therefore, is sent out of the country in time of war, must not this produce a similar effect? Has not the exporting that amount the same effect with the locking it up, since the one and the other equally take it out of circulation? Does it not
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then follow, that if more money be not obtained, either by borrowing it back from strangers, or by melting down more solid property, that selling must stop, and (Y) disappear as well as (X). The rich, therefore, must give over buying, and the proprietors of all that comes to market must deal by barter with one another.

How naturally do all these consequences follow one upon the other! and how exactly do they correspond to the principles which run through that part of the last book where we treated of banks and public credit!

Taxes are not raised, at this time, to remain in treasures, but to answer the exigencies of the state. The moment, therefore, that the money arising from them comes out of the public coffers, it loses the character of (X) and resumes that of (Z), in the same manner that (Y) was transformed into (Z), by being brought to market to buy a commodity. This new (Z), as we may call it, no sooner returns into circulation, than it becomes again converted into (Y) and (X), with this difference, however, that what came from the exchequer, so far as it is converted into (X), returns directly into it again.

Hence it follows, that states commonly pay their servants the full of their salaries, and make them refund a part in consequence of cumulative taxes, instead of proportionally diminishing what is due to them. And when the salaries themselves are intended to be laid under poundage, which in fact is an actual diminution of them, they choose that the tax should appear to be a deduction out of what is supposed due; because it seems less arbitrary to impose a tax, than to diminish a salary, without assigning any reason for it; but indeed; besides this reason, it commonly happens, that the particular appropriations and administration of the revenue render that method easier.

With respect to proportional taxes they affect the expences of the state in the same manner as those of individuals; with this difference, as we have said, that the part (X) returns into the exchequer; but

but the part (Y) is fairly spent by the state, as by the idle consumer.

From what has been said, we may gather the principles which lead to the most extensive establishment of proportional taxes, viz. either to draw by particular regulations, the whole real and gross produce of land and work to market; or at least to bring it under the eye of the state, in consequence of some modification or manufacture performed upon it, as was observed with respect to malt-houses, mills, and public ovens. When, by such contrivances, the whole gross produce falls under taxation, the proportional taxes must be gently laid on, and gradually raised until they begin to interrupt consumption; then they must be diminished for a while, until dissipation increases; a case which will probably happen, as it commonly keeps pace with industry.

If we suppose the rich to set out on a plan of living upon their capitals, instead of living upon their incomes, as we have hitherto supposed, then indeed taxes may augment to a degree not to be estimated. This combination has already found a place in the 26th chapter of the second book, where we examined it with regard to the progress of industry. In that place it was said, that in proportion to credit and industry, it might be possible in the compass of a year, to produce commodities to the value of the whole property of the most extended kingdom. Were that the case, to what a height might not taxes be carried?

(Y) then would represent the whole value of the country, and consequently, (X) would swell in proportion, according to the competition among the inhabitants, to purchase every particular article. Subsistence and necessaries might be taxed low in proportion to the abilities of those of the lower classes; articles of luxury might be taxed in a higher proportion, in order to draw the more into the exchequer.

Were taxes thus carried to their utmost extent, still every person in the state must be left at liberty to save, or to spend the whole,

or

or any part of his stock, or income; which is not the case when cumulative taxes are imposed. Proportional taxes, tho' carried to their utmost extent, will not deprive an industrious man of his physical-necessary, nor of the reward of his ingenuity, nor of that rank in wealth, to which his birth or expence entitles him*.

When taxes have the effect of interrupting this harmony of expence, of restraining the liberty of squandering, or of saving, or of oppressing one set of men more than another, in all such cases, they are improperly imposed; and instead of being too high, as it is commonly supposed, I think it is a demonstration that they are really lower than they need to be. The classes of men in a modern state, resemble the horses in a team. When every horse draws fairly and equally, the whole force is exerted; but if any one happens to be strained by an overcharge thrown upon him, the force of the team is greatly diminished.

When proportional taxes are carried to their full extent, I then presume every one will be obliged to pay as much as possible; I do not mean that every one will be forced to pay to the extent of his abilities, but I say, that the generality will; and therefore, were cumulative, or personal taxes, to be superadded on those who already pay all they can, they would, by affecting them unequally, deprive many of their physical-necessary, or small profits; and consequently destroy the proper balance of their competition. The setting the lower classes free from cumulative taxes, will only have the effect of putting the growing wealth of the penurious and saving part of the industrious inhabitants out of the reach of taxation. This ought in good policy to be done, as has been shewn in another place. But, farther, we have observed, that taxes can only be increased in proportion to the spirit of dissipation in the people. To force money, therefore, out of the hands of those who do not incline to spend it, is forcing the spirit of

* A man's rank, in a modern society, seems to be determined more according to his birth, or to his expence, than according to his stock, or income.

the people; and if not tyranny, is at least great severity. Besides, we shall presently shew, how these savings cannot escape being taxed, whenever they begin to produce an income; and allowing that they may be greatly accumulated, and thrown into trade, yet still they must in one way or other appear in alienation, and become subject to the proportional taxes. The only part, therefore, of the savings not affected by taxes, will be confined to that which is locked up. This in a prodigal nation should never be touched. The inconveniencies resulting to the state from so small an inequality of taxation, is too trifling to be attended to, and too difficult to be prevented.

I come next to examine the extent of cumulative taxes.

If we suppose the proportional taxes to be carried to their full extent, there will be little place found for the cumulative, as has been said. The only objects left for them are the savings locked up, and the pure profits upon trade.

But let us suppose proportional taxes out of the question, as they must be when contrary to the spirit of a particular nation; and then inquire into the principles which regulate the imposition of cumulative taxes, in order to discover to what extent they may be carried, and what consequences may follow when they are brought to a height.

This branch has two objects; first, income, which is determinate; secondly, profits from industry, which are and must be very uncertain.

Income, I divide into two sorts; that which proceeds from every branch of solid property, capable of producing it: Land, houses, even cattle, furniture, &c. all may, in some respects, produce an income, more or less permanent according to circumstances. This sort of income is established by lease. The second sort is the interest of money, constituted by the contract of loan.

In imposing cumulative taxes upon income, it is very proper to consider the nature of every species of it, with respect to stability. Landed property is fixed, and can not escape taxation, were the tax

to be carried to the extent of the full income, as has been observed. Were the same proportion to be laid on houses, they would soon fall to ruin, because the annual proprietor would not keep them up. Like circumstances must be attended to, in taxing every other article of revenue.

The method of ascertaining the value of this kind of property, is to oblige all leases to be recorded, under a sufficient penalty. This is the method in France, for the sake of the *controle*, which is exacted upon recording them; and this, no doubt, facilitates the raising of the twentieth penny, which operates upon all such incomes.

The value once ascertained, the whole income is at the mercy of the state, in proportion to the impossibility of avoiding it, by any change on the nature of the fund. It is from this circumstance that I call all such taxes arbitrary impositions. And I call them also cumulative; because the reason given by the statesman for imposing them, is, that it is just every one should pay a general tax, for the support of the state, in proportion to his abilities.

As these taxes cannot be carried beyond the value of the income which the proprietor cannot withdraw from under the burden, we see the impossibility of establishing them upon that income which proceeds from money. If a tax of so much *per cent.* be imposed upon money lent at interest; the lender may immediately call in his capital from his debtor, and send it away beyond the reach of the tax. If the calling it in be prohibited, then all credit is destroyed for the future, and no more money will be lent. If the statesman should incline to profit of the advantage found in securing money upon land-property; and if, trusting to the desire monied-people have of settling their capitals in that way, he should take one or more *per cent.* upon capitals so secured; it will still have the effect of hurting the credit of landed men, who have frequently no good security but their land to give.

It was formerly the practice to allow the landlords to retain a part of the interest, in consideration of the tax they paid upon that part of their land, which was pledged for the security of the money borrowed; but when credit is once established, that regulation has no other effect, than to oblige them to borrow so much dearer than other people, who have no retention to claim. Where indeed credit is precarious, such a regulation would be a premium for good security.

In general, I believe, we may safely determine, that all attempts to lay a tax upon the income of so fluctuating a property as money, where the capital is demandable, will prove unsuccessful.

The case is different, when the capital is not demandable, as has been observed in the end of the 8th chapter upon public credit; where we were suggesting a reason for taxing the interest of national debts, when grown up to the full amount of all the income of a country. But a material distinction was there made, between those debts which were supposed to be consolidated into a permanent property, and new contracts which were to be considered as debts upon that property.

We see, therefore, the extent of cumulative taxes upon possessions which produce an income. Let us next examine how they may be made to affect other articles.

We have observed how improper, and how contrary to principles it is, to impose proportional taxes upon those branches of sale, which do not change the balance of wealth between the contracting parties. Yet cumulative taxes may then take place; because there is no reason to make them general, or proportional.

When lands, for example, carry titles along with them, as is the case in many countries; and when, as with us in Scotland they carry a right to vote for a member of parliament, a very heavy tax might be imposed upon the alienation of them. The same may be said of every other estate which requires a feudal investiture

ture to complete the right. Thus the *Lods et vente* in France, which is a portion of the price of such lands due to the superior or lord-paramount of the fee, amounting in many cases to the sixth part of the price, is a hint for a cumulative tax to be raised upon the alienation of this kind of property.

Were cumulative taxes properly laid upon personal service, a regularity in levying them at short intervals, and according to some determinate proportion, would do a great deal towards communicating to them all the advantages of those of the proportional kind.

Thus a tax laid upon those who work by the day, may be levied in such a manner as to be tolerably easy. A penny a day (or more if necessary) paid by every industrious man, regularly, once a week, would soon enable him to raise his price in that proportion. But then deductions must be allowed for all accidental impediments; and were a plan to be concerted, many other considerations would enter into it, which it would be superfluous here to mention, and which, perhaps, may occur in another place.

The two articles which, in analyzing the extent of proportional taxes, we observed had escaped that imposition, to wit, money locked up, and the pure profits on trade constantly accumulated into the stock, are equally ill adapted to bear a cumulative tax. I can see no way of taxing money locked up, any more than money lent, without opening a door to the greatest oppression. And as to the pure profits on trade, although they appear to be income, I rather consider them as stock, which, according to principles, ought not to be taxed. My reason for not considering them as income, is because we have supposed them to be accumulated by the merchant into his trading stock. They resemble the annual shoots of a tree, which augment the mass of it, but are very different from the seed or fruit which is annually produced, and is annually separated from it. If they are spent by the merchants, then they are undoubtedly income, and will be affected by proportional taxes; but as they may also not be spent, and become stock, the cumulative tax will affect them in both cases.

C H A P. IX.

The consequences of an Abolition of Taxes.

HAVING endeavoured to deduce the principles of taxation, by examining the combinations which occur when we suppose it augmented to the highest degree, I must now look for new combinations, which will suggest themselves upon examining the consequences of a total, or a partial abolition of taxes.

So far as taxes are absolutely necessary for the support of government, no body, I suppose, can wish to see them abolished. The object, therefore, of a statesman's attention in levying taxes for indispensable national purposes, should turn upon the principles we have been examining. What now follows relates to the consequences of abolishing taxes once established, so far as it proves a revolution in the oeconomy of a state. This will lead us to examine the consequences of taxes, considered as voluntary public contributions, independently of the absolute necessity of raising them to supply the exigencies of the state. We are therefore to examine the consequences of so great a change to the whole body of the society, considered as a nation, which requires a public stock, to which it may have recourse upon every extraordinary occasion.

When the interest of a whole people is examined with respect to taxes, they may very properly be divided into the following classes.

1^{mo}, Those who receive the amount of taxes, viz. the creditors and servants of the state, and those to whom they give employment.

2^{do}, Those who advance the taxes, viz. all the different classes of the industrious.

3^{tio}, Those who pay the taxes, viz. all the rich and idle; or, in other words, all those who cannot draw back what they have paid.

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In these classes are comprehended those who pay the taxes, and those who receive the amount of them; consequently, in whatever concerns taxes, the common interest of the whole taken together is what must regulate the conduct of the statesman.

In order to determine this first and general question, viz. the consequence of abolishing taxes relatively to the cumulative interest of a whole state, it is proper to inquire,

1^{mo}, What will be the consequence of abolishing taxes, relatively to those who now receive the amount of them, viz. the creditors and servants of the public, and those to whom they give employment.

2^{do}, What will be the consequences of abolishing taxes relatively to trade, industry, and manufactures: that is, whether these great objects are carried on to most advantage, when every individual contributes largely in providing a fund to be administered by a statesman; or when no body contributes any thing, but when every one retains the whole of his income, and the profits of his industry, and disposes of them as he thinks proper.

3^{tio}, What will be the consequence of abolishing taxes, relatively to that part of the people who now complain that they are forced to contribute to every tax, although by their exclusion from the emoluments of lucrative employments, they bear a greater burden than others not better entitled to exemption, who thereby profit at their expence?

To determine so intricate a question, several combinations of circumstances must here be examined, and from the particulars resulting in every case, we shall, towards the end of this chapter, endeavour to point out the general conclusion. I begin by examining the consequences arising to the creditors, and to those who serve the state, from the cessation of those expences which flow from the produce of taxes, either in paying the interest of debts, or in defraying the whole *actual* expence of government.

As to the creditors, this question has been already discussed. We have seen that the withholding the interest due to them would have the consequence of bringing on such a convulsion in the state, by the

breach

breach of faith, and ruin of public credit, as would throw every thing into confusion. But with respect to the servants of the state, we must inquire, whether the raising taxes for defraying this article of expence be more hurtful to the people in general, than the consequences of such a revolution in circulation and employment, which would follow, if the taxes were to be suppressed, and the servants employed by the state dismissed.

When the necessity of raising taxes is out of the question, the hurt they do in general to a country is when, by the imposition, the money is taken out of those hands who would have employed it for the advancement of the prosperity of the state, in order to throw it into those who will employ it otherwise. From this let us now draw some conclusions.

1mo, That if money be taken from those who would have employed it in feeding themselves, and in continuing their industry, the cessation of such a tax is in a manner giving bread to those who are starving.

2do, If money were to be taken from those who, having more than bare necessaries, would, by its use, increase the demand for domestic industry, and were that money bestowed on a set of men who would employ it in the purchase of foreign commodities; the cessation of taxes, in such a case, would, so far, take the bread out of the mouths of foreigners, and give it to our own countrymen.

The abolition of the first species of taxes is advantageous to a state in every combination, let the money arising from it be ever so well employed. As to the second species, the abolition is not necessary; because the vice lies only in the misapplication of the amount.

Let us then suppose taxes to become unnecessary, and all those of the hurtful kind, depriving the industrious of bread, and enriching foreigners at the expence of citizens, to be taken off.

Suppose that after all, there should still remain more taxes than are sufficient for supplying all the necessary charges of government, when administered with prudence and with oeconomy, and that

that this surplus is bestowed in gratifying individuals, beyond the value of all the services they do the state: I ask whether this superfluous expence is immediately to be cut off, and taxes diminished in proportion; or whether it would not be more proper to let the taxes subsist; and to think of a better method of applying the amount of them?

I answer, that according to the state of the question, the body of the people, who are all made to contribute towards the enriching of a few of their number, may justly complain of the inequality of their condition, and have a title to demand an abolition of their taxes, unless it can evidently be made appear, that by granting their request, there would follow a prejudice to the state, which would affect their own interests as individuals.

To discover how far this may be the case, let us form as many combinations as we can, relative to the effects of diminishing taxes, and candidly examine the most natural consequences of every one. If we find that the mass of a people gain, in general, more than they lose by paying taxes imposed with moderation and propriety, and still more if it appears that their ease and prosperity depend upon the levying and expending of such taxes; I think we may conclude, that all diminutions of them which hurt the interest of the greater body, are in general hurtful to the society.

Let me first suppose a general reform of all unnecessary expence to take place at once, and a proportional abolition of taxes to go hand in hand with it. Would not all those who at present subsist by the superfluous expences of government, be reduced to misery? Would not all those who supply unnecessary wants, equal to the whole amount of the taxes suppressed, be forced to be idle in proportion? The millions who contribute in paying those sums would be differently affected. Those who pay out of a fixed and certain income, would feel an immediate benefit from it; those who contribute by proportional taxes would also be gainers, providing they be of the idle class; but all the industrious would lose in proportion, if the prices of subsistence should not fall with the diminution.

nution of their taxes. All the manufacturers of exciseable goods, who had been used to *advance the taxes*, as we have observed, would gain considerably. For the diminution of the taxes would be total as to them, though not to their customers; because traders would never want pretences for keeping up the price of their commodities beyond the proportion of what it ought to be, when duties are taken off.

I decide with the greater certainty as to this particular, from the analogy it bears to the consequence of changing the denominations of the coins in France, which long experience shews never to have the immediate effect of regulating prices proportionally.

But as we are here considering the consequences of a sudden abolition of taxes, let us, for a moment, consider, with an eye of humanity, the scenes which would unavoidably open to our view, both in the formerly opulent habitations of those who were wont to wallow in public money, and in the comfortable dwellings of many others of every denomination, who, either as the reward of merit, or as the recompence of painful industry, had supplied the wants of useless armies, navies, arsenals, dock-yards, &c. formerly paid out of taxes, now abolished, and who thereby had subsisted and brought up their families.

Are not all these children of the state? Have they not had fathers and mothers who have been greatly relieved by procuring such outlets for them? Have they not children who are educated and brought up with the amount of their salaries, and profits of their service? Have they not had people of every class of industry, who have gained their bread by providing for their wants, while they were supplying those of the state, now become superfluous? In one word, does not the money they receive, circulate and return to the grand river, as I may call it, in the same manner as that of other members of the state?

For these reasons, I say, that taxes once properly imposed, and brought to circulate through a certain channel for a long time, cannot, *suddenly*, be suppressed, without occasioning far greater misery and

and distress than can arise from them, when levied with any degree of intelligence. This is nowise peculiar to the suppression of taxes; it is equally the same, in every sudden revolution of property. When the Templers were universally rooted out of Christendom, who doubts of the afflictions, misery, and distress, which followed to every class of inhabitants employed by them, in every kingdom in Europe? Could so large a consumption as that of so great an order cease at once, without drawing along with it numberless inconveniences? Did not the reformation itself, otherwise so great a blessing, starve a multitude of poor who were fed by the monastries? Did not the secularization of so many ecclesiastical benefices do great prejudice to many families, by blotting out an infinity of ways of procuring an easy livelihood for their children? Let those who do not feel the truth of what I here advance, examine the state of the protestant nobility in Germany, where you find the same hardships still subsisting, though in a degree much inferior to what it must have been at the time of this sudden revolution, which took bread from thousands of the younger sons of noble families.

Such revolutions have happened; such inconveniences have been felt: but they were not the deliberate act of any particular statesman. They were the effect of those convulsions which the human passions occasion. No body can justly impute them as necessary consequences of a reformation in religion. But let any statesman now, from a cool reflection upon the unnecessary load of employments in church, state, army, navy, finances, and law, and from a principle of distributive justice, abolish *at once* all that is superfluous, and the taxes, at the same time, out of which the emoluments arise, he will very soon set before the eyes of his people, such a scene of compassion, as will quickly blot out the remembrance of the favour.

We should not then find some individuals reduced to want, but numerous families; not a parcel of beggars starved, but industrious manufacturers; not a set of ecclesiastics, who from their state of celibacy and retreat, appeared already, in a manner, separated from

the commonwealth, but a multitude of people connected by marriage, by society, and by all the tender bonds which unite mankind. Such a scene, I say, would not fail to excite compassion in the heart of those very men in whose favour the desolation was to be brought on; and the statesman would thereby lose the whole merit of his ill judged zeal for distributive justice, and be considered in the most unfavourable light that passion or prejudice could suggest.

This is a digression introduced with no intention to favour a misapplication of public money, but to point out how far a reformation in this particular is a delicate operation.

A good physician never attacks a disease by violent remedies, when mild ones, with time, may be made to produce the same effect. Nothing can resemble an ingrained disease in a human body, more than an ingrained vicious habit in a state. The spirit of a nation is influenced, as has been said, by the administration of its government. So large a sum of misapplied money creates a political disease, which must be purged away by degrees; and new doors must be opened to receive those whose former method of subsistence is thereby intended to be cut off.

Let me next examine the consequence of a gradual and insensible reduction of taxes, relatively to trade, industry, and manufactures.

It would be both tedious and superfluous to trace the steps by which such an operation ought to be conducted. Let me suppose it complete; but let it not be so very gradual as to blot out all remembrance of the age of taxes, and of their effects.

We have sufficiently analyzed the whole progress of circulation; we have shewn how it must constantly be in proportion to alienation, and how, when deficient, industry suffers a check. Even when peace is restored after an expensive war, we have shewn how circulation diminishes, from the abatement of public expences, how money stagnates, and how it is consolidated upon property of a more permanent nature.

Let

Let us now apply these principles to the question before us. Let taxes be abolished ever so gradually, the circulation of the exchequer must cease in proportion; consequently, the whole alienation, and the whole industry which is the object of that alienation, must cease also. The money issued from thence at present, continues its progress from hand to hand, and all is found necessary for circulation, in this age of taxation, as we have called it. What a deal of industry is implied in the circulation of a sum equal to all the taxes! Let those who choose to calculate, state the following proportion, because I will not here interrupt my subject.

As the whole money of the country is to all the alienations performed by it, so is the sum of taxes to that part of alienation which will fall with them.

If a gradual diminution of taxes must have the effect of extinguishing so much industry, it will have the effect of starving the industrious who lived by it. But before they starve, the price of work must fall below the price of the narrowest subsistence: because the never failing foreign demand for subsistence, will keep it above the rate of their slender abilities, as long as any trade remains.

To imagine a foreign outlet for cheap manufactures, while the subsistence of workmen is at par with other nations, is against all principles; as it is against experience, to see a country without revenue, and without taxes, carrying on with success the operations of industry and foreign trade.

Compare, therefore, the situation of such manufacturers with those in the age of taxes. Compare those who would augment a supply far beyond all the demand for it, with those who are paying large taxes, and as regularly drawing them back, either upon the sale of their work, or in consequence of wages which enable them to be idle two or three days in a week.

In such a situation, how ardently would the former wish to see the idle consumers furnishing again a copious supply of money to government, for removing such inconveniences. They would then quickly perceive that they had not been of that class which had

felt.

felt the load of taxes; they would recal to mind the joyful hours they had spent in public houses; the fortunes which every industrious man might hope to accumulate, while every branch of industry was kept alive, by the means of a copious circulation.

If, therefore, the industrious classes of a people cannot be benefited by an abolition of taxes; let us next inquire, to whom the advantage would accrue.

It has been said, that the idle consumers pay all taxes of the proportional kind; the proprietors of lands, houses, &c. bear every where a very large share of taxes both proportional and cumulative. This class of men, therefore, are those who bid the fairest to reap a benefit from an abolition of them. But the proprietors of lands are by no means included in the class of idle consumers, in every respect; altho' they may be considered in that light, with respect to such taxes upon their consumption as they do not draw back from their direct industry, in producing some manufacture which they may sell again, with a profit proportional to the tax they paid. They are masters of a property, which, in a country of industry, is daily augmenting in its value. Their fortunes, often swell faster than those of any one class of the industrious; but they augment by annual income; the fortunes of all the rest, increase by the capital. Every penny raised in a landlord's rent, is equivalent to half a crown gained by a merchant.

If it be true that taxes, rightly imposed, do no prejudice to any of the manufacturing, or any-wise industrious classes of a people; and if it be true, that an abolition of those taxes, by contracting circulation, would discourage industry; then we may determine that the landlords would lose much more in finding the improvement of their lands interrupted, than all they can gain by adding their taxes to their present fortunes.

Combinations of this sort are so involved, that I cannot pretend to unfold them step by step, as might be done in cases of a more simple nature. The conclusions therefore drawn from researches of this kind, do not command that assent, which we find in a manner

ner extorted from us upon other occasions. In this chapter, I have not undertaken to demonstrate that the judicious imposition of taxes is advantageous to a country in every respect. My view is to point out the advantages they actually have. The common opinion is that they are hurtful. Our feelings, however, have raised doubts with many great men concerning the truth of that proposition. If my investigations, however imperfect, and however liable to objections, should facilitate to others the clearing up a point, which is beyond the reach of my capacity to extricate, this consideration will be a sufficient encouragement for me to proceed.

Let me, therefore, lay aside the thoughts of analyzing the effects of taxes, with such accuracy as to form a demonstration of their being more beneficial than hurtful to an industrious nation, and that the throwing them back into circulation does more good, than the raising them does harm. But let me shew, in general, that the interest of landed men, who, I think have, beyond all doubt, been proved to be those who, in the first place, pay a considerable part of proportional taxes, does by no means require an abolition of them.

The proprietors of lands, whom we have hitherto considered as being of the class of the idle consumers, advance their rents by the great demand produced for subsistence, in consequence of industry. This, if it does not raise the price of subsistence, keeps it, at least, at an equal standard; and that standard must bear a proportion to what it is worth in other nations, as long as trade subsists. But let trade decay, let domestic industry fail, it will not be the foreign price which will then support the rate of our markets. What a multitude of circumstances contribute to the exportation of our superfluity! I can send from Charing-cross, any parcel whatever, to the distance of fifty miles, cheaper than from my own country habitation, where I can have a man, with a cart, for two shillings a day. From Charing-cross, I can send, at an hour's warning, many thousand tons weight: here I could not do the same in many weeks. Near London, an extended common
may



may be inclosed and improved in a season: here, the improvement of a small field is the business of a man's life. Let me even consider how matters are changed within these fifty years. Under takings which now are executed with little difficulty, were then absolutely impracticable. An army was necessary thirty years ago to make a road of a hundred miles, and the inhabitants were astonished at the execution of it*.

Were it necessary, at this time, to do as much every year, if money be but provided, hands will not be wanting, either to conduct or execute the plan.

The number of people, *well employed*, makes the prosperity of a state; and the profits of the opulent classes, by the augmentation of industry, more than compensate all the burden of their taxes. They grow in relative wealth; and the acquisitions they make, are commonly exempted from the cumulative taxes raised upon their possessions. In proportion to their industry in improving their lands, their fortunes augment. The present system of taxes does not interrupt their operations. Were any great change in that particular to take place, which might sink the market prices of subsistence, even allowing that it would prove an advantage to foreign trade, they, I am sure, would be the first who would feel the inconvenience.

It may be wondered, why I have not suggested, as a consequence of taxes, the increase upon the price of the earth's productions, which is a direct indemnification to all the landed interest, more than equivalent to the taxes they pay. But taxes upon land, do not augment the price of grain, as they raise the price of exciseable goods. The reason is plain. The tax upon land affects only the proprietor's share of the produce of his lands: were he to attempt to raise the price of his grain, in proportion to the tax he pays, his farmer, who pays no land-tax for his portion, would undersell him in the market. A tax never can raise a price, except

* Wade's road through the highlands of Scotland.

when

when it is laid on so universally, as to make it impossible for any person to avoid it, who sells in competition with another who pays the duty. It is from this principle that smuggling often ruins fair traders: the smuggled goods are sold cheaper than those which pay duty, and the fair trader is thereby forced to sell below what he can afford.

On the whole, I believe that when this question is thoroughly understood, it will be found, that taxes affect prices far less than any one could imagine; except in the case of excises, rightly imposed, and levied without fraud. There indeed they have their effect; but in every other mode of imposing them, I am apt to believe that they do not produce the consequences commonly ascribed to them. I have already suggested the reason in a former chapter upon this subject; where the influences of competition in the markets where commodities are sold, has been proved to work more irresistible effects in regulating the price of work in general, than any thing that taxes, not immediately imposed upon the very article of consumption, can produce. But if in spite of all that has been said, it should be urged that the prices of labour and manufactures rise in proportion to taxes, I answer, that the difficulties resulting upon this hypothesis, would be many more than could be objected to the other theory. Could, for example, any man assign a reason, why a pound of the best snuff in England should be sold dearer than in France, where it pays a duty of above two shillings sterling; why many articles of manufacture can be afforded cheaper in England, than in Scotland, where taxes are certainly lower, and although a day-labourer in the first be paid a shilling, and in the last little more than eight pence; why subsistence should be absolutely dearer in Scotland than in England, taken upon an average; why universal experience should prove, that when the price of subsistence is raised by scarcity, work instead of rising, is constantly lower than at other times?

From all these appearances, added to the arguments I have used to prove that taxes are not prejudicial to industry, I conclude,

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that

that the theory I have attempted to give is just in the main; and that when taxes are judiciously imposed, and actually levied without oppression, they enrich a nation.

1^{mo}, By putting into the hands of a good statesman, the means of removing every abuse; of rendering the state respected by its enemies; of supporting every class of industrious inhabitants, when their particular branch falls under distress; of providing an outlet for many young people, who in time become ornaments to their country, and instruments of her defence; of supporting foreign trade by bounties on exportation; of encouraging the improvement of lands, the establishment of colonies, the extension of fisheries, and every other scheme for augmenting the production of subsistence and manufactures.

2^{do}, That the multiplication of taxes, exclusive of the encouragements just mentioned, which are bestowed gratuitously on trade and manufactures, do, of themselves, and independently of the proper application of their amount, augment, demonstratively, the mass of circulation, alienation and industry; and in this respect may be considered as a voluntary contribution, in the first place at least, from the rich who pay them, to the industrious who directly draw them back.

3^{io}, As to that part of the people, who pay their taxes without sharing the advantages of those who serve the state in lucrative employments, I say the industrious part of them pay nothing; and the demand for what they produce, is greatly increased by the expence of those very men who are the objects of their envy: and farther, that if an alteration were to be made on the revenue, by any abolition of taxes, those who imagine themselves hurt at present, might find, by sad experience, a much greater, and much more real hurt, from what would disturb the harmony of the present system.

To conclude, we have a tolerable notion of the state of industry in former times, when taxes were little known: we may see the progress it is making in countries where, at present, impositions

are

are comparatively lower than elsewhere; and we may compare the state of those countries with our own, as to ease and happiness. From such inquiries, nothing, I apprehend, can be concluded in favour of the progress of industry, from an abolition of taxes.

That such an abolition may produce some good effect, as yet unknown, I shall not pretend to deny: we have not lived long enough to see any experiment of this kind put in practice.

From the exposition I have given of this matter, there arises a great difficulty to be solved.

Taxes are paid, no doubt, and no body according to this theory seems to pay them. The industrious draw them back; the proprietors of land and solid property are said to be indemnified; prices, it would appear, are not to fall by a diminution of taxes, in favour even of the most idle consumer; they are not made to rise in consequence of an augmentation on them: Whence then do taxes proceed? From what fund do they arise? What interest do they affect? I can solve all these difficulties, by an answer to another question: From whence arises the value of a small parcel of flax, when wrought into fine lace? It arises from the price paid for time well employed; which produces nothing when spent in idleness. This is the fund out of which the greatest part of taxes is paid; it is a fund created by the industrious Britons, which I hope will increase for many centuries, tho' taxes should increase in proportion. It is worth more than ten times all the taxes which could be raised, and all the landed property without it. Let that time be spent in idleness, and the whole produce of this island would not supply the expences of government for a month.