

defrayed altogether by those who receive the immediate benefit of such education and instruction, or by the voluntary contribution of those who think they have occasion for either the one or the other.

When the institutions, or public works, which are beneficial to the whole society, either cannot be maintained altogether, or are not maintained altogether, by the contribution of such particular members of the society as are most immediately benefited by them; the deficiency must, in most cases, be made up by the general contribution of the whole society. The general revenue of the society, over and above defraying the expense of defending the society, and of supporting the dignity of the chief magistrate, must make up for the deficiency of many particular branches of revenue. The sources of this general or public revenue, I shall endeavour to explain in the following chapter.

CHAPTER II

OF THE SOURCES OF THE GENERAL OR PUBLIC REVENUE OF THE SOCIETY

THE REVENUE which must defray, not only the expense of defending the society and of supporting the dignity of the chief magistrate, but all the other necessary expenses of government, for which the constitution of the state has not provided any particular revenue may be drawn, either, first, from some fund which peculiarly belongs to the sovereign or commonwealth, and which is independent of the revenue of the people; or, secondly, from the revenue of the people.

PART I

Of the Funds, or Sources, of Revenue, which may peculiarly belong to the Sovereign or Commonwealth

THE FUNDS, or sources, of revenue, which may peculiarly belong to the sovereign or commonwealth, must consist, either in stock, or in land.

The sovereign, like, any other owner of stock, may derive a revenue from it, either by employing it himself, or by lending it. His revenue is, in the one case, profit, in the other interest.

The revenue of a Tartar or Arabian chief consists in profit. It arises principally from the milk and increase of his own herds and flocks, of which he himself superintends the management, and is the principal shepherd or herdsman of his own horde or tribe. It is, however, in this earliest and rudest state of civil government only, that profit has ever made the principal part of the public revenue of a monarchical state.

Small republics have sometimes derived a considerable revenue from the profit of mercantile projects. The republic of Hamburgh is said to do so from the profits of a public wine-cellar and apothecary's shop. {See Memoires concernant les Droits et Impositions en Europe, tome i. page 73. This work was compiled by the order of the court, for the use of a commission employed for some years past in considering the proper means for reforming the finances of France. The account of the French taxes, which takes up three volumes in quarto, may be regarded as perfectly authentic. That of those of other European nations was compiled from such information as the French ministers at the different courts could procure. It is much shorter, and probably not quite so exact as that of the French taxes.} That state cannot be very

great, of which the sovereign has leisure to carry on the trade of a wine-merchant or an apothecary. The profit of a public bank has been a source of revenue to more considerable states. It has been so, not only to Hamhurgh, but to Venice and Amsterdam. A revenue of this kind has even by some people been thought not below the attention of so great an empire as that of Great Britain. Reckoning the ordinary dividend of the bank of England at five and a-half per cent., and its capital at ten millions seven hundred and eighty thousand pounds, the neat annual profit, after paying the expense of management, must amount, it is said, to five hundred and ninety-two thousand nine hundred pounds. Government, it is pretended, could borrow this capital at three per cent. interest, and, by taking the management of the bank into its own hands, might make a clear profit of two hundred and sixty-nine thousand five hundred pounds a-year. The orderly, vigilant, and parsimonious administration of such aristocracies as those of Venice and Amsterdam, is extremely proper, it appears from experience, for the management of a mercantile project of this kind. But whether such a government as that of England, which, whatever may be its virtues, has never been famous for good economy; which, in time of peace, has generally conducted itself with the slothful and negligent profusion that is, perhaps, natural to monarchies; and, in time of war, has constantly acted with all the thoughtless

extravagance that democracies are apt to fall into, could be safely trusted with the management of such a project, must at least be a good deal more doubtful.

The post-office is properly a mercantile project. The government advances the expense of establishing the different offices, and of buying or hiring the necessary horses or carriages, and is repaid, with a large profit, by the duties upon what is carried. It is, perhaps, the only mercantile project which has been successfully managed by, I believe, every sort of government. The capital to be advanced is not very considerable. There is no mystery in the business. The returns are not only certain but immediate.

Princes, however, have frequently engaged in many other mercantile projects, and have been willing, like private persons, to mend their fortunes, by becoming adventurers in the common branches of trade. They have scarce ever succeeded. The profusion with which the affairs of princes are always managed, renders it almost impossible that they should. The agents of a prince regard the wealth of their master as inexhaustible; are careless at what price they buy, are careless at what price they sell, are careless at what expense they transport his goods from one place to another. Those agents frequently live with the profusion of princes; and sometimes, too, in spite of that profusion, and by a proper method of making up their accounts, acquire the fortunes of princes. It

was thus, as we are told by Machiavel, that the agents of Lorenzo of Medici, not a prince of mean abilities, carried on his trade. The republic of Florence was several times obliged to pay the debt into which their extravagance had involved him. He found it convenient, accordingly to give up the business of merchant, the business to which his family had originally owed their fortune, and, in the latter part of his life, to employ both what remained of that fortune, and the revenue of the state, of which he had the disposal, in projects and expenses more suitable to his station.

No two characters seem more inconsistent than those of trader and sovereign. If the trading spirit of the English East India company renders them very bad sovereigns, the spirit of sovereignty seems to have rendered them equally bad traders. While they were traders only, they managed their trade successfully, and were able to pay from their profits a moderate dividend to the proprietors of their stock. Since they became sovereigns, with a revenue which, it is said, was originally more than three millions sterling, they have been obliged to beg the ordinary assistance of government, in order to avoid immediate bankruptcy. In their former situation, their servants in India considered themselves as the clerks of merchants; in their present situation, those servants consider themselves as the ministers of sovereigns.

A state may sometimes derive some part of its public revenue

from the interest of money, as well as from the profits of stock. If it has amassed a treasure, it may lend a part of that treasure, either to foreign states, or to its own subjects.

The canton of Berne derives a considerable revenue by lending a part of its treasure to foreign states, that is, by placing it in the public funds of the different indebted nations of Europe, chiefly in those of France and England. The security of this revenue must depend, first, upon the security of the funds in which it is placed, or upon the good faith of the government which has the management of them; and, secondly, upon the certainty or probability of the continuance of peace with the debtor nation. In the case of a war, the very first act of hostility on the part of the debtor nation might be the forfeiture of the funds of its credit or. This policy of lending money to foreign states is, so far as I know peculiar to the canton of Berne.

The city of Hamburg {See Memoire concernant les Droites et Impositions en Europe tome i p. 73.} has established a sort of public pawn-shop, which lends money to the subjects of the state, upon pledges, at six per cent. interest. This pawn-shop, or lombard, as it is called, affords a revenue, it is pretended, to the state, of a hundred and fifty thousand crowns, which, at four and sixpence the crown, amounts to £33,750 sterling.

The government of Pennsylvania, without amassing any trea-

sure, invented a method of lending, not money, indeed, but what is equivalent to money, to its subjects. By advancing to private people, at interest, and upon land security to double the value, paper bills of credit, to be redeemed fifteen years after their date; and, in the mean time, made transferable from hand to hand, like banknotes, and declared by act of assembly to be a legal tender in all payments from one inhabitant of the province to another, it raised a moderate revenue, which went a considerable way towards defraying an annual expense of about £4,500, the whole ordinary expense of that frugal and orderly government. The success of an expedient of this kind must have depended upon three different circumstances: first, upon the demand for some other instrument of commerce, besides gold and silver money, or upon the demand for such a quantity of consumable stock as could not be had without sending abroad the greater part of their gold and silver money, in order to purchase it; secondly, upon the good credit of the government which made use of this expedient; and, thirdly, upon the moderation with which it was used, the whole value of the paper bills of credit never exceeding that of the gold and silver money which would have been necessary for carrying on their circulation, had there been no paper bills of credit. The same expedient was, upon different occasions, adopted by several other American colonies; but, from want of this moderation, it

produced, in the greater part of them, much more disorder than conveniency.

The unstable and perishable nature of stock and credit, however, renders them unfit to be trusted to as the principal funds of that sure, steady, and permanent revenue, which can alone give security and dignity to government. The government of no great nation, that was advanced beyond the shepherd state, seems ever to have derived the greater part of its public revenue from such sources.

Land is a fund of more stable and permanent nature; and the rent of public lands, accordingly, has been the principal source of the public revenue of many a great nation that was much advanced beyond the shepherd state. From the produce or rent of the public lands, the ancient republics of Greece and Italy derived for a long time the greater part of that revenue which defrayed the necessary expenses of the commonwealth. The rent of the crown lands constituted for a long time the greater part of the revenue of the ancient sovereigns of Europe.

War, and the preparation for war, are the two circumstances which, in modern times, occasion the greater part of the necessary expense of all great states. But in the ancient republics of Greece and Italy, every citizen was a soldier, and both served, and prepared himself for service, at his own expense. Neither of those two

circumstances, therefore, could occasion any very considerable expense to the state. The rent of a very moderate landed estate might be fully sufficient for defraying all the other necessary expenses of government.

In the ancient monarchies of Europe, the manners and customs of the time sufficiently prepared the great body of the people for war; and when they took the field, they were, by the condition of their feudal tenures, to be maintained either at their own expense, or at that of their immediate lords, without bringing any new charge upon the sovereign. The other expenses of government were, the greater part of them, very moderate. The administration of justice, it has been shewn, instead of being a cause of expense was a source of revenue. The labour of the country people, for three days before, and for three days after, harvest, was thought a fund sufficient for making and maintaining all the bridges, highways, and other public works, which the commerce of the country was supposed to require. In those days the principal expense of the sovereign seems to have consisted in the maintenance of his own family and household. The officers of his household, accordingly, were then the great officers of state. The lord treasurer received his rents. The lord steward and lord chamberlain looked after the expense of his family. The care of his stables was committed to the lord constable and the lord marshal. His houses were all built in

the form of castles, and seem to have been the principal fortresses which he possessed. The keepers of those houses or castles might be considered as a sort of military governors. They seem to have been the only military officers whom it was necessary to maintain in time of peace. In these circumstances, the rent of a great landed estate might, upon ordinary occasions, very well defray all the necessary expenses of government.

In the present state of the greater part of the civilized monarchies of Europe, the rent of all the lands in the country, managed as they probably would be, if they all belonged to one proprietor, would scarce, perhaps, amount to the ordinary revenue which they levy upon the people even in peaceable times. The ordinary revenue of Great Britain, for example, including not only what is necessary for defraying the current expense of the year, but for paying the interest of the public debts, and for sinking a part of the capital of those debts, amounts to upwards of ten millions a-year. But the land tax, at four shillings in the pound, falls short of two millions a-year. This land tax, as it is called however, is supposed to be one-fifth, not only of the rent of all the land, but of that of all the houses, and of the interest of all the capital stock of Great Britain, that part of it only excepted which is either lent to the public, or employed as farming stock in the cultivation of land. A very considerable part of the produce of this tax arises

from the rent of houses and the interest of capital stock. The land tax of the city of London, for example, at four shillings in the pound, amounts to £123,399: 6: 7; that of the city of Westminster to £63,092: 1: 5; that of the palaces of Whitehall and St. James's, to £30,754: 6: 3. A certain proportion of the land tax is, in the same manner, assessed upon all the other cities and towns corporate in the kingdom; and arises almost altogether, either from the rent of houses, or from what is supposed to be the interest of trading and capital stock. According to the estimation, therefore, by which Great Britain is rated to the land tax, the whole mass of revenue arising from the rent of all the lands, from that of all the houses, and from the interest of all the capital stock, that part of it only excepted which is either lent to the public, or employed in the cultivation of land, does not exceed ten millions sterling a-year, the ordinary revenue which government levies upon the people, even in peaceable times. The estimation by which Great Britain is rated to the land tax is, no doubt, taking the whole kingdom at an average, very much below the real value; though in several particular counties and districts it is said to be nearly equal to that value. The rent of the lands alone, exclusive of that of houses and of the interest of stock, has by many people been estimated at twenty millions; an estimation made in a great measure at random, and which, I apprehend, is as likely to be above as

below the truth. But if the lands of Great Britain, in the present state of their cultivation, do not afford a rent of more than twenty millions a-year, they could not well afford the half, most probably not the fourth part of that rent, if they all belonged to a single proprietor, and were put under the negligent, expensive, and oppressive management of his factors and agents. The crown lands of Great Britain do not at present afford the fourth part of the rent which could probably be drawn from them if they were the property of private persons. If the crown lands were more extensive, it is probable, they would be still worse managed.

The revenue which the great body of the people derives from land is, in proportion, not to the rent, but to the produce of the land. The whole annual produce of the land of every country, if we except what is reserved for seed, is either annually consumed by the great body of the people, or exchanged for something else that is consumed by them. Whatever keeps down the produce of the land below what it would otherwise rise to, keeps down the revenue of the great body of the people, still more than it does that of the proprietors of land. The rent of land, that portion of the produce which belongs to the proprietors, is scarce anywhere in Great Britain supposed to be more than a third part of the whole produce. If the land which, in one state of cultivation, affords a revenue of ten millions sterling a-year, would in another

afford a rent of twenty millions; the rent being, in both cases, supposed a third part of the produce, the revenue of the proprietors would be less than it otherwise might be, by ten millions a-year only; but the revenue of the great body of the people would be less than it otherwise might be, by thirty millions a-year, deducting only what would be necessary for seed. The population of the country would be less by the number of people which thirty millions a-year, deducting always the seed, could maintain, according to the particular mode of living, and expense which might take place in the different ranks of men, among whom the remainder was distributed.

Though there is not at present in Europe, any civilized state of any kind which derives the greater part of its public revenue from the rent of lands which are the property of the state; yet, in all the great monarchies of Europe, there are still many large tracts of land which belong to the crown. They are generally forest, and sometimes forests where, after travelling several miles, you will scarce find a single tree; a mere waste and loss of country, in respect both of produce and population. In every great monarchy of Europe, the sale of the crown lands would produce a very large sum of money, which, if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have even afforded to the crown. In coun-

tries where lands, improved and cultivated very highly, and yielding, at the time of sale, as great a rent as can easily be got from them, commonly sell at thirty years purchase; the unimproved, uncultivated, and low-rented crown lands, might well be expected to sell at forty, fifty, or sixty years purchase. The crown might immediately enjoy the revenue which this great price would redeem from mortgage. In the course of a few years, it would probably enjoy another revenue. When the crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated. The increase of their produce would increase the population of the country, by augmenting the revenue and consumption of the people. But the revenue which the crown derives from the duties or custom and excise, would necessarily increase with the revenue and consumption of the people.

The revenue which, in any civilized monarchy, the crown derives from the crown lands, though it appears to cost nothing to individuals, in reality costs more to the society than perhaps any other equal revenue which the crown enjoys. It would, in all cases, be for the interest of the society, to replace this revenue to the crown by some other equal revenue, and to divide the lands among the people, which could not well be done better, perhaps, than by exposing them to public sale.

Lands, for the purposes of pleasure and magnificence, parks, gardens, public walks, etc. possessions which are everywhere considered as causes of expense, not as sources of revenue, seem to be the only lands which, in a great and civilized monarchy, ought to belong to the crown.

Public stock and public lands, therefore, the two sources of revenue which may peculiarly belong to the sovereign or commonwealth, being both improper and insufficient funds for defraying the necessary expense of any great and civilized state; it remains that this expense must, the greater part of it, be defrayed by taxes of one kind or another; the people contributing a part of their own private revenue, in order to make up a public revenue to the sovereign or commonwealth.