

### PART II

#### Of Taxes

THE PRIVATE REVENUE OF INDIVIDUALS, it has been shown in the first book of this Inquiry, arises, ultimately from three different sources; rent, profit, and wages. Every tax must finally be paid from some one or other of those three different sources of revenue, or from all of them indifferently. I shall endeavour to give the best account I can, first, of those taxes which, it is intended should fall upon rent; secondly, of those which, it is intended should fall upon profit; thirdly, of those which, it is intended should fall upon wages; and fourthly, of those which, it is intended should fall indifferently upon all those three different sources of private revenue. The particular consideration of each of these four different sorts of taxes will divide the second part of the present chapter into four articles, three of which will require several other subdivisions. Many of these taxes, it will appear from the following review, are not finally paid from the fund, or source of revenue, upon which it is intended they should fall.

Before I enter upon the examination of particular taxes, it is necessary to premise the four following maximis with regard to taxes in general.

1. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim, consists what is called the equality or inequality of taxation. Every tax, it must be observed once for all, which falls finally upon one only of the three sorts of revenue above mentioned, is necessarily unequal, in so far as it does not affect the other two. In the following examination of different taxes, I shall seldom take much farther notice of this sort of inequality; but shall, in most cases, confine my observations to that inequality which is occasioned by a particular tax falling unequally upon that particular sort of private revenue which is affected by it.

2. The tax which each individual is bound to pay, ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the

power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence, and favours the corruption, of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

3. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land or of houses, payable at the same term at which such rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay; or when he is most likely to have wherewithall to pay. Taxes upon such consumable goods as are articles of luxury, are all finally paid by the consumer, and generally in a manner that is very convenient for him. He pays them by little and little, as he has occasion to buy the goods. As he is at liberty too, either to buy or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconveniency from such taxes.

4. Every tax ought to be so contrived, as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways. First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people. Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may thus diminish, or perhaps destroy, some of the funds which might enable them more easily to do so. Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur, who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have received from the employment of their capitals. An injudicious tax offers a great temptation to smuggling. But the penalties of smuggling must arise in proportion to the temptation. The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it; and it commonly enhances the punishment, too, in

proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime. {See Sketches of the History of Man page 474, and Seq.} Fourthly, by subjecting the people to the frequent visits and the odious examination of the tax-gatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. It is in some one or other of these four different ways, that taxes are frequently so much more burdensome to the people than they are beneficial to the sovereign.

The evident justice and utility of the foregoing maxims have recommended them, more or less, to the attention of all nations. All nations have endeavoured, to the best of their judgment, to render their taxes as equal as they could contrive; as certain, as convenient to the contributor, both the time and the mode of payment, and in proportion to the revenue which they brought to the prince, as little burdensome to the people. The following short review of some of the principal taxes which have taken place in different ages and countries, will show, that the endeavours of all nations have not in this respect been equally successful.

### **ARTICLE I. — Taxes upon Rent — Taxes upon the Rent of Land.**

A tax upon the rent of land may either be imposed according to a certain canon, every district being valued at a certain rent, which valuation is not afterwards to be altered; or it may be imposed in such a manner, as to vary with every variation in the real rent of the land, and to rise or fall with the improvement or declension of its cultivation.

A land tax which, like that of Great Britain, is assessed upon each district according to a certain invariable canon, though it should be equal at the time of its first establishment, necessarily becomes unequal in process of time, according to the unequal degrees of improvement or neglect in the cultivation of the different parts of the country. In England, the valuation, according to which the different counties and parishes were assessed to the land tax by the 4th of William and Mary, was very unequal even at its first establishment. This tax, therefore, so far offends against the first of the four maxims above mentioned. It is perfectly agreeable to the other three. It is perfectly certain. The time of payment for the tax, being the same as that for the rent, is as convenient as it can be to the contributor. Though the landlord is, in all cases, the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in the payment of the rent. This tax is levied by a much

smaller number of officers than any other which affords nearly the same revenue. As the tax upon each district does not rise with the rise of the rent, the sovereign does not share in the profits of the landlord's improvements. Those improvements sometimes contribute, indeed, to the discharge of the other landlords of the district. But the aggravation of the tax, which this may sometimes occasion upon a particular estate, is always so very small, that it never can discourage those improvements, nor keep down the produce of the land below what it would otherwise rise to. As it has no tendency to diminish the quantity, it can have none to raise the price of that produce. It does not obstruct the industry of the people; it subjects the landlord to no other inconveniency besides the unavoidable one of paying the tax.

The advantage, however, which the land-lord has derived from the invariable constancy of the valuation, by which all the lands of Great Britain are rated to the land-tax, has been principally owing to some circumstances altogether extraneous to the nature of the tax.

It has been owing in part, to the great prosperity of almost every part of the country, the rents of almost all the estates of Great Britain having, since the time when this valuation was first established, been continually rising, and scarce any of them having fallen. The landlords, therefore, have almost all gained the difference

between the tax which they would have paid, according to the present rent of their estates, and that which they actually pay according to the ancient valuation. Had the state of the country been different, had rents been gradually falling in consequence of the declension of cultivation, the landlords would almost all have lost this difference. In the state of things which has happened to take place since the revolution, the constancy of the valuation has been advantageous to the landlord and hurtful to the sovereign. In a different state of things it might have been advantageous to the sovereign and hurtful to the landlord.

As the tax is made payable in money, so the valuation of the land is expressed in money. Since the establishment of this valuation, the value of silver has been pretty uniform, and there has been no alteration in the standard of the coin, either as to weight or fineness. Had silver risen considerably in its value, as it seems to have done in the course of the two centuries which preceded the discovery of the mines of America, the constancy of the valuation might have proved very oppressive to the landlord. Had silver fallen considerably in its value, as it certainly did for about a century at least after the discovery of those mines, the same constancy of valuation would have reduced very much this branch of the revenue of the sovereign. Had any considerable alteration been made in the standard of the money, either by sinking the same quantity

of silver to a lower denomination, or by raising it to a higher; had an ounce of silver, for example, instead of being coined into five shillings and two pence, been coined either into pieces which bore so low a denomination as two shillings and seven pence, or into pieces which bore so high a one as ten shillings and four pence, it would, in the one case, have hurt the revenue of the proprietor, in the other that of the sovereign.

In circumstances, therefore, somewhat different from those which have actually taken place, this constancy of valuation might have been a very great inconveniency, either to the contributors or to the commonwealth. In the course of ages, such circumstances, however, must at some time or other happen. But though empires, like all the other works of men, have all hitherto proved mortal, yet every empire aims at immortality. Every constitution, therefore, which it is meant should be as permanent as the empire itself, ought to be convenient, not in certain circumstances only, but in all circumstances; or ought to be suited, not to those circumstances which are transitory, occasional, or accidental, but to those which are necessary, and therefore always the same.

A tax upon the rent of land, which varies with every variation of the rent, or which rises and falls according to the improvement or neglect of cultivation, is recommended by that sect of men of letters in France, who call themselves the economists, as the most

equitable of all taxes. All taxes, they pretend, fall ultimately upon the rent of land, and ought, therefore, to be imposed equally upon the fund which must finally pay them. That all taxes ought to fall as equally as possible upon the fund which must finally pay them, is certainly true. But without entering into the disagreeable discussion of the metaphysical arguments by which they support their very ingenious theory, it will sufficiently appear, from the following review, what are the taxes which fall finally upon the rent of the land, and what are those which fall finally upon some other fund.

In the Venetian territory, all the arable lands which are given in lease to farmers are taxed at a tenth of the rent. {Memoires concernant les Droits, p. 240, 241.} The leases are recorded in a public register, which is kept by the officers of revenue in each province or district. When the proprietor cultivates his own lands, they are valued according to an equitable estimation, and he is allowed a deduction of one-fifth of the tax; so that for such land he pays only eight instead of ten per cent. of the supposed rent.

A land-tax of this kind is certainly more equal than the land-tax of England. It might not, perhaps, be altogether so certain, and the assessment of the tax might frequently occasion a good deal more trouble to the landlord. It might, too, be a good deal more expensive in the levying.

Such a system of administration, however, might, perhaps, be contrived, as would in a great measure both prevent this uncertainty, and moderate this expense.

The landlord and tenant, for example, might jointly be obliged to record their lease in a public register. Proper penalties might be enacted against concealing or misrepresenting any of the conditions; and if part of those penalties were to be paid to either of the two parties who informed against and convicted the other of such concealment or misrepresentation, it would effectually deter them from combining together in order to defraud the public revenue. All the conditions of the lease might be sufficiently known from such a record.

Some landlords, instead of raising the rent, take a fine for the renewal of the lease. This practice is, in most cases, the expedient of a spendthrift, who, for a sum of ready money sells a future revenue of much greater value. It is, in most cases, therefore, hurtful to the landlord; it is frequently hurtful to the tenant; and it is always hurtful to the community. It frequently takes from the tenant so great a part of his capital, and thereby diminishes so much his ability to cultivate the land, that he finds it more difficult to pay a small rent than it would otherwise have been to pay a great one. Whatever diminishes his ability to cultivate, necessarily keeps down, below what it would otherwise have been, the most impor-

tant part of the revenue of the community. By rendering the tax upon such fines a good deal heavier than upon the ordinary rent, this hurtful practice might be discouraged, to the no small advantage of all the different parties concerned, of the landlord, of the tenant, of the sovereign, and of the whole community.

Some leases prescribe to the tenant a certain mode of cultivation, and a certain succession of crops, during the whole continuance of the lease. This condition, which is generally the effect of the landlord's conceit of his own superior knowledge (a conceit in most cases very ill-founded), ought always to be considered as an additional rent, as a rent in service, instead of a rent in money. In order to discourage the practice, which is generally a foolish one, this species of rent might be valued rather high, and consequently taxed somewhat higher than common money-rents.

Some landlords, instead of a rent in money, require a rent in kind, in corn, cattle, poultry, wine, oil, etc.; others, again, require a rent in service. Such rents are always more hurtful to the tenant than beneficial to the landlord. They either take more, or keep more out of the pocket of the former, than they put into that of the latter. In every country where they take place, the tenants are poor and beggarly, pretty much according to the degree in which they take place. By valuing, in the same manner, such rents rather high, and consequently taxing them somewhat higher than com-

mon money-rents, a practice which is hurtful to the whole community, might, perhaps, be sufficiently discouraged.

When the landlord chose to occupy himself a part of his own lands, the rent might be valued according to an equitable arbitration of the farmers and landlords in the neighbourhood, and a moderate abatement of the tax might be granted to him, in the same manner as in the Venetian territory, provided the rent of the lands which he occupied did not exceed a certain sum. It is of importance that the landlord should be encouraged to cultivate a part of his own land. His capital is generally greater than that of the tenant, and, with less skill, he can frequently raise a greater produce. The landlord can afford to try experiments, and is generally disposed to do so. His unsuccessful experiments occasion only a moderate loss to himself. His successful ones contribute to the improvement and better cultivation of the whole country. It might be of importance, however, that the abatement of the tax should encourage him to cultivate to a certain extent only. If the landlords should, the greater part of them, be tempted to farm the whole of their own lands, the country (instead of sober and industrious tenants, who are bound by their own interest to cultivate as well as their capital and skill will allow them) would be filled with idle and profligate bailiffs, whose abusive management would soon degrade the cultivation, and reduce the annual produce of the

land, to the diminution, not only of the revenue of their masters, but of the most important part of that of the whole society.

Such a system of administration might, perhaps, free a tax of this kind from any degree of uncertainty, which could occasion either oppression or inconveniency to the contributor; and might, at the same time, serve to introduce into the common management of land such a plan of policy as might contribute a good deal to the general improvement and good cultivation of the country.

The expense of levying a land-tax, which varied with every variation of the rent, would, no doubt, be somewhat greater than that of levying one which was always rated according to a fixed valuation. Some additional expense would necessarily be incurred, both by the different register-offices which it would be proper to establish in the different districts of the country, and by the different valuations which might occasionally be made of the lands which the proprietor chose to occupy himself. The expense of all this, however, might be very moderate, and much below what is incurred in the levying of many other taxes, which afford a very inconsiderable revenue in comparison of what might easily be drawn from a tax of this kind.

The discouragement which a variable land-tax of this kind might give to the improvement of land, seems to be the most important objection which can be made to it. The landlord would certainly

be less disposed to improve, when the sovereign, who contributed nothing to the expense, was to share in the profit of the improvement. Even this objection might, perhaps, be obviated, by allowing the landlord, before he began his improvement, to ascertain, in conjunction with the officers of revenue, the actual value of his lands, according to the equitable arbitration of a certain number of landlords and farmers in the neighbourhood, equally chosen by both parties: and by rating him, according to this valuation, for such a number of years as might be fully sufficient for his complete indemnification. To draw the attention of the sovereign towards the improvement of the land, from a regard to the increase of his own revenue, is one of the principal advantages proposed by this species of land-tax. The term, therefore, allowed, for the indemnification of the landlord, ought not to be a great deal longer than what was necessary for that purpose, lest the remoteness of the interest should discourage too much this attention. It had better, however, be somewhat too long, than in any respect too short. No incitement to the attention of the sovereign can ever counterbalance the smallest discouragement to that of the landlord. The attention of the sovereign can be, at best, but a very general and vague consideration of what is likely to contribute to the better cultivation of the greater part of his dominions. The attention of the landlord is a particular and minute consideration of what is

likely to be the most advantageous application of every inch of ground upon his estate. The principal attention of the sovereign ought to be, to encourage, by every means in his power, the attention both of the landlord and of the farmer, by allowing both to pursue their own interest in their own way, and according to their own judgment; by giving to both the most perfect security that they shall enjoy the full recompence of their own industry; and by procuring to both the most extensive market for every part of their produce, in consequence of establishing the easiest and safest communications, both by land and by water, through every part of his own dominions, as well as the most unbounded freedom of exportation to the dominions of all other princes.

If, by such a system of administration, a tax of this kind could be so managed as to give, not only no discouragement, but, on the contrary, some encouragement to the improvement of land, it does not appear likely to occasion any other inconveniency to the landlord, except always the unavoidable one of being obliged to pay the tax.

In all the variations of the state of the society, in the improvement and in the declension of agriculture; in all the variations in the value of silver, and in all those in the standard of the coin, a tax of this kind would, of its own accord, and without any attention of government, readily suit itself to the actual situation of things,



and would be equally just and equitable in all those different changes. It would, therefore, be much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth, than any tax which was always to be levied according to a certain valuation.

Some states, instead of the simple and obvious expedient of a register of leases, have had recourse to the laborious and expensive one of an actual survey and valuation of all the lands in the country. They have suspected, probably, that the lessor and lessee, in order to defraud the public revenue, might combine to conceal the real terms of the lease. Domesday-book seems to have been the result of a very accurate survey of this kind.

In the ancient dominions of the king of Prussia, the land-tax is assessed according to an actual survey and valuation, which is reviewed and altered from time to time. {Memoires concurent les Droits, etc. tom, i. p. 114, 115, 116, etc.} According to that valuation, the lay proprietors pay from twenty to twenty-five per cent. of their revenue; ecclesiastics from forty to forty-five per cent. The survey and valuation of Silesia was made by order of the present king, it is said, with great accuracy. According to that valuation, the lands belonging to the bishop of Breslaw are taxed at twenty-five per cent. of their rent. The other revenues of the ecclesiastics of both religions at fifty per cent. The commanderies of the Teu-

tonic order, and of that of Malta, at forty per cent. Lands held by a noble tenure, at thirty-eight and one-third per cent. Lands held by a base tenure, at thirty-five and one-third per cent.

The survey and valuation of Bohemia is said to have been the work of more than a hundred years. It was not perfected till after the peace of 1748, by the orders of the present empress queen. {Id. tom i. p.85, 84.} The survey of the duchy of Milan, which was begun in the time of Charles VI., was not perfected till after 1760 It is esteemed one of the most accurate that has ever been made. The survey of Savoy and Piedmont was executed under the orders of the late king of Sardinia. {Id. p. 280, etc.; also p, 287. etc. to 316.}

In the dominions of the king of Prussia, the revenue of the church is taxed much higher than that of lay proprietors. The revenue of the church is, the greater part of it, a burden upon the rent of land. It seldom happens that any part of it is applied towards the improvement of land; or is so employed as to contribute, in any respect, towards increasing the revenue of the great body of the people. His Prussian majesty had probably, upon that account, thought it reasonable that it should contribute a good deal more towards relieving the exigencies of the state. In some countries, the lands of the church are exempted from all taxes. In others, they are taxed more lightly than other lands. In the duchy of Milan,

the lands which the church possessed before 1575, are rated to the tax at a third only or their value.

In Silesia, lands held by a noble tenure are taxed three per cent. higher than those held by a base tenure. The honours and privileges of different kinds annexed to the former, his Prussian majesty had probably imagined, would sufficiently compensate to the proprietor a small aggravation of the tax; while, at the same time, the humiliating inferiority of the latter would be in some measure alleviated, by being taxed somewhat more lightly. In other countries, the system of taxation, instead of alleviating, aggravates this inequality. In the dominions of the king of Sardinia, and in those provinces of France which are subject to what is called the real or predial taille, the tax falls altogether upon the lands held by a base tenure. Those held by a noble one are exempted.

A land tax assessed according to a general survey and valuation, how equal soever it may be at first, must, in the course of a very moderate period of time, become unequal. To prevent its becoming so would require the continual and painful attention of government to all the variations in the state and produce of every different farm in the country. The governments of Prussia, of Bohemia, of Sardinia, and of the duchy of Milan, actually exert an attention of this kind; an attention so unsuitable to the nature of government, that it is not likely to be of long continuance, and

which, if it is continued, will probably, in the long-run, occasion much more trouble and vexation than it can possibly bring relief to the contributors.

In 1666, the generality of Montauban was assessed to the real or predial taille, according, it is said, to a very exact survey and valuation. {Memoires concernant les Droits, etc. tom. ii p. 139, etc.} By 1727, this assessment had become altogether unequal. In order to remedy this inconveniency, government has found no better expedient, than to impose upon the whole generality an additional tax of a hundred and twenty thousand livres. This additional tax is rated upon all the different districts subject to the taille according to the old assessment. But it is levied only upon those which, in the actual state of things, are by that assessment under-taxed; and it is applied to the relief of those which, by the same assessment, are over-taxed. Two districts, for example, one of which ought, in the actual state of things, to be taxed at nine hundred, the other at eleven hundred livres, are, by the old assessment, both taxed at a thousand livres. Both these districts are, by the additional tax, rated at eleven hundred livres each. But this additional tax is levied only upon the district under-charged, and it is applied altogether to the relief of that overcharged, which consequently pays only nine hundred livres. The government neither gains nor loses by the additional tax, which is applied alto-

gether to remedy the inequalities arising from the old assessment. The application is pretty much regulated according to the discretion of the intendant of the generality, and must, therefore, be in a great measure arbitrary.

### **Taxes which are proportioned, not in the Rent, but to the Produce of Land.**

Taxes upon the produce of land are, In reality, taxes upon the rent; and though they may be originally advanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportionable abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church tythe, which is a land tax of this kind, is, one year with another, likely to amount to.

The tythe, and every other land tax of this kind, under the appearance of perfect equality, are very unequal taxes; a certain portion of the produce being in different situations, equivalent to a very different portion of the rent. In some very rich lands, the produce is so great, that the one half of it is fully sufficient to replace to the farmer his capital employed in cultivation, together

with the ordinary profits of farming stock in the neighbourhood. The other half, or, what comes to the same thing, the value of the other half, he could afford to pay as rent to the landlord, if there was no tythe. But if a tenth of the produce is taken from him in the way of tythe, he must require an abatement of the fifth part of his rent, otherwise he cannot get back his capital with the ordinary profit. In this case, the rent of the landlord, instead of amounting to a half, or five-tenths of the whole produce, will amount only to four-tenths of it. In poorer lands, on the contrary, the produce is sometimes so small, and the expense of cultivation so great, that it requires four-fifths of the whole produce, to replace to the farmer his capital with the ordinary profit. In this case, though there was no tythe, the rent of the landlord could amount to no more than one-fifth or two-tenths of the whole produce. But if the farmer pays one-tenth of the produce in the way of tythe, he must require an equal abatement of the rent of the landlord, which will thus be reduced to one-tenth only of the whole produce. Upon the rent of rich lands the tythe may sometimes be a tax of no more than one-fifth part, or four shillings in the pound; whereas upon that of poorer lands, it may sometimes be a tax of one half, or of ten shillings in the pound.

The tythe, as it is frequently a very unequal tax upon the rent, so it is always a great discouragement, both to the improvements of

the landlord, and to the cultivation of the farmer. The one cannot venture to make the most important, which are generally the most expensive improvements; nor the other to raise the most valuable, which are generally, too, the most expensive crops; when the church, which lays out no part of the expense, is to share so very largely in the profit. The cultivation of madder was, for a long time, confined by the tythe to the United Provinces, which, being presbyterian countries, and upon that account exempted from this destructive tax, enjoyed a sort of monopoly of that useful dyeing drug against the rest of Europe. The late attempts to introduce the culture of this plant into England, have been made only in consequence of the statute, which enacted that five shillings an acre should be received in lieu of all manner of tythe upon madder.

As through the greater part of Europe, the church, so in many different countries of Asia, the state, is principally supported by a land tax, proportioned not to the rent, but to the produce of the land. In China, the principal revenue of the sovereign consists in a tenth part of the produce of all the lands of the empire. This tenth part, however, is estimated so very moderately, that, in many provinces, it is said not to exceed a thirtieth part of the ordinary produce. The land tax or land rent which used to be paid to the Mahometan government of Bengal, before that country fell into the hands of the English East India company, is said to have

amounted to about a fifth part of the produce. The land tax of ancient Egypt is said likewise to have amounted to a fifth part.

In Asia, this sort of land tax is said to interest the sovereign in the improvement and cultivation of land. The sovereigns of China, those of Bengal while under the Mahometan government, and those of ancient Egypt, are said, accordingly, to have been extremely attentive to the making and maintaining of good roads and navigable canals, in order to increase, as much as possible, both the quantity and value of every part of the produce of the land, by procuring to every part of it the most extensive market which their own dominions could afford. The tythe of the church is divided into such small portions that no one of its proprietors can have any interest of this kind. The parson of a parish could never find his account, in making a road or canal to a distant part of the country, in order to extend the market for the produce of his own particular parish. Such taxes, when destined for the maintenance of the state, have some advantages, which may serve in some measure to balance their inconveniency. When destined for the maintenance of the church, they are attended with nothing but inconveniency.

Taxes upon the produce of land may be levied, either in kind, or, according to a certain valuation in money.

The parson of a parish, or a gentleman of small fortune who lives upon his estate, may sometimes, perhaps find some advan-

tage in receiving, the one his tythe, and the other his rent, in kind. The quantity to be collected, and the district within which it is to be collected, are so small, that they both can oversee, with their own eyes, the collection and disposal of every part of what is due to them. A gentleman of great fortune, who lived in the capital, would be in danger of suffering much by the neglect, and more by the fraud, of his factors and agents, if the rents of an estate in a distant province were to be paid to him in this manner. The loss of the sovereign, from the abuse and depredation of his tax-gatherers, would necessarily be much greater. The servants of the most careless private person are, perhaps, more under the eye of their master than those of the most careful prince; and a public revenue, which was paid in kind, would suffer so much from the mismanagement of the collectors, that a very small part of what was levied upon the people would ever arrive at the treasury of the prince. Some part of the public revenue of China, however, is said to be paid in this manner. The mandarins and other tax-gatherers will, no doubt, find their advantage in continuing the practice of a payment, which is so much more liable to abuse than any payment in money.

A tax upon the produce of land, which is levied in money, may be levied, either according to a valuation, which varies with all the variations of the market price; or according to a fixed valuation, a

bushel of wheat, for example, being always valued at one and the same money price, whatever may be the state of the market. The produce of a tax levied in the former way will vary only according to the variations in the real produce of the land, according to the improvement or neglect of cultivation. The produce of a tax levied in the latter way will vary, not only according to the variations in the produce of the land, but according both to those in the value of the precious metals, and those in the quantity of those metals which is at different times contained in coin of the same denomination. The produce of the former will always bear the same proportion to the value of the real produce of the land. The produce of the latter may, at different times, bear very different proportions to that value.

When, instead either of a certain portion of the produce of land, or of the price of a certain portion, a certain sum of money is to be paid in full compensation for all tax or tythe; the tax becomes, in this case, exactly of the same nature with the land tax of England. It neither rises nor falls with the rent of the land. It neither encourages nor discourages improvement. The tythe in the greater part of those parishes which pay what is called a *modus*, in lieu of all other tythe is a tax of this kind. During the Mahometan government of Bengal, instead of the payment in kind of the fifth part of the produce, a *modus*, and, it is said, a very moderate one,

was established in the greater part of the districts or zemindaries of the country. Some of the servants of the East India company, under pretence of restoring the public revenue to its proper value, have, in some provinces, exchanged this modus for a payment in kind. Under their management, this change is likely both to discourage cultivation, and to give new opportunities for abuse in the collection of the public revenue, which has fallen very much below what it was said to have been when it first fell under the management of the company. The servants of the company may, perhaps, have profited by the change, but at the expense, it is probable, both of their masters and of the country.

### **Taxes upon the Rent of Houses.**

The rent of a house may be distinguished into two parts, of which the one may very properly be called the building-rent; the other is commonly called the ground-rent.

The building-rent is the interest or profit of the capital expended in building the house. In order to put the trade of a builder upon a level with other trades, it is necessary that this rent should be sufficient, first, to pay him the same interest which he would have got for his capital, if he had lent it upon good security; and, secondly, to keep the house in constant repair, or, what comes to the

same thing, to replace, within a certain term of years, the capital which had been employed in building it. The building-rent, or the ordinary profit of building, is, therefore, everywhere regulated by the ordinary interest of money. Where the market rate of interest is four per cent. the rent of a house, which, over and above paying the ground-rent, affords six or six and a-half per cent. upon the whole expense of building, may, perhaps, afford a sufficient profit to the builder. Where the market rate of interest is five per cent. it may perhaps require seven or seven and a half per cent. If, in proportion to the interest of money, the trade of the builders affords at any time much greater profit than this, it will soon draw so much capital from other trades as will reduce the profit to its proper level. If it affords at any time much less than this, other trades will soon draw so much capital from it as will again raise that profit.

Whatever part of the whole rent of a house is over and above what is sufficient for affording this reasonable profit, naturally goes to the ground-rent; and, where the owner of the ground and the owner of the building are two different persons, is, in most cases, completely paid to the former. This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation. In country houses, at a distance from any great town, where there is plenty of ground to chuse upon,

the ground-rent is scarce anything, or no more than what the ground which the house stands upon would pay, if employed in agriculture. In country villas, in the neighbourhood of some great town, it is sometimes a good deal higher; and the peculiar conveniency or beauty of situation is there frequently very well paid for. Ground-rents are generally highest in the capital, and in those particular parts of it where there happens to be the greatest demand for houses, whatever be the reason of that demand, whether for trade and business, for pleasure and society, or for mere vanity and fashion.

A tax upon house-rent, payable by the tenant, and proportioned to the whole rent of each house, could not, for any considerable time at least, affect the building-rent. If the builder did not get his reasonable profit, he would be obliged to quit the trade; which, by raising the demand for building, would, in a short time, bring back his profit to its proper level with that of other trades. Neither would such a tax fall altogether upon the ground-rent; but it would divide itself in such a manner, as to fall partly upon the inhabitant of the house, and partly upon the owner of the ground.

Let us suppose, for example, that a particular person judges that he can afford for house-rent all expense of sixty pounds a-year; and let us suppose, too, that a tax of four shillings in the pound, or of one-fifth, payable by the inhabitant, is laid upon house-rent.

A house of sixty pounds rent will, in that case, cost him seventy-two pounds a-year, which is twelve pounds more than he thinks he can afford. He will, therefore, content himself with a worse house, or a house of fifty pounds rent, which, with the additional ten pounds that he must pay for the tax, will make up the sum of sixty pounds a-year, the expense which he judges he can afford, and, in order to pay the tax, he will give up a part of the additional conveniency which he might have had from a house of ten pounds a-year more rent. He will give up, I say, a part of this additional conveniency; for he will seldom be obliged to give up the whole, but will, in consequence of the tax, get a better house for fifty pounds a-year, than he could have got if there had been no tax for as a tax of this kind, by taking away this particular competitor, must diminish the competition for houses of sixty pounds rent, so it must likewise diminish it for those of fifty pounds rent, and in the same manner for those of all other rents, except the lowest rent, for which it would for some time increase the competition. But the rents of every class of houses for which the competition was diminished, would necessarily be more or less reduced. As no part of this reduction, however, could for any considerable time at least, affect the building-rent, the whole of it must, in the long-run, necessarily fall upon the ground-rent. The final payment of this tax, therefore, would fall partly upon the inhabitant of the

house, who, in order to pay his share, would be obliged to give up a part of his conveniency; and partly upon the owner of the ground, who, in order to pay his share, would be obliged to give up a part of his revenue. In what proportion this final payment would be divided between them, it is not, perhaps, very easy to ascertain. The division would probably be very different in different circumstances, and a tax of this kind might, according to those different circumstances, affect very unequally, both the inhabitant of the house and the owner of the ground.

The inequality with which a tax of this kind might fall upon the owners of different ground-rents, would arise altogether from the accidental inequality of this division. But the inequality with which it might fall upon the inhabitants of different houses, would arise, not only from this, but from another cause. The proportion of the expense of house-rent to the whole expense of living, is different in the different degrees of fortune. It is, perhaps, highest in the highest degree, and it diminishes gradually through the inferior degrees, so as in general to be lowest in the lowest degree. The necessaries of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principal expense of the rich; and a magnificent house embellishes and sets off to the best advantage all the other luxuries

and vanities which they possess. A tax upon house-rents, therefore, would in general fall heaviest upon the rich; and in this sort of inequality there would not, perhaps, be any thing very unreasonable. It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.

The rent of houses, though it in some respects resembles the rent of land, is in one respect essentially different from it. The rent of land is paid for the use of a productive subject. The land which pays it produces it. The rent of houses is paid for the use of an unproductive subject. Neither the house, nor the ground which it stands upon, produce anything. The person who pays the rent, therefore, must draw it from some other source of revenue, distinct from and independent of this subject. A tax upon the rent of houses, so far as it falls upon the inhabitants, must be drawn from the same source as the rent itself, and must be paid from their revenue, whether derived from the wages of labour, the profits of stock, or the rent of land. So far as it falls upon the inhabitants, it is one of those taxes which fall, not upon one only, but indifferently upon all the three different sources of revenue; and is, in every respect, of the same nature as a tax upon any other sort of consumable commodities. In general, there is not perhaps, any one article of expense or consumption by which the liberality or



narrowness of a man's whole expense can be better judged of than by his house-rent. A proportional tax upon this particular article of expense might, perhaps, produce a more considerable revenue than any which has hitherto been drawn from it in any part of Europe. If the tax, indeed, was very high, the greater part of people would endeavour to evade it as much as they could, by contenting themselves with smaller houses, and by turning the greater part of their expense into some other channel.

The rent of houses might easily be ascertained with sufficient accuracy, by a policy of the same kind with that which would be necessary for ascertaining the ordinary rent of land. Houses not inhabited ought to pay no tax. A tax upon them would fall altogether upon the proprietor, who would thus be taxed for a subject which afforded him neither conveniency nor revenue. Houses inhabited by the proprietor ought to be rated, not according to the expense which they might have cost in building, but according to the rent which an equitable arbitration might judge them likely to bring if leased to a tenant. If rated according to the expense which they might have cost in building, a tax of three or four shillings in the pound, joined with other taxes, would ruin almost all the rich and great families of this, and, I believe, of every other civilized country. Whoever will examine with attention the different town and country houses of some of the richest and greatest families in

this country, will find that, at the rate of only six and a-half, or seven per cent. upon the original expense of building, their house-rent is nearly equal to the whole neat rent of their estates. It is the accumulated expense of several successive generations, laid out upon objects of great beauty and magnificence, indeed, but, in proportion to what they cost, of very small exchangeable value. {Since the first publication of this book, a tax nearly upon the above-mentioned principles has been imposed.}

Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rents would not raise the rent of houses; it would fall altogether upon the owner of the ground-rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it, according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country, the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground-rents are always to be found. As the wealth of those competitors would in no respect be increased by a tax upon ground-rents, they would not probably be disposed to pay more for the use of the ground. Whether the tax was to be advanced by the inhabitant or by the owner of the ground, would be of little importance. The more the inhabitant was obliged

to pay for the tax, the less he would incline to pay for the ground; so that the final payment of the tax would fall altogether upon the owner of the ground-rent. The ground-rents of uninhabited houses ought to pay no tax.

Both ground-rents, and the ordinary rent of land, are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Ground-rents seem, in this respect, a more proper subject of peculiar taxation, than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly, at least, to the attention and good management of the landlord. A very heavy tax might discourage, too much, this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people or of the inhabitants of some particular place, enables them to pay

so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable, than that a fund, which owes its existence to the good government of the state, should be taxed peculiarly, or should contribute something more than the greater part of other funds, towards the support of that government.

Though, in many different countries of Europe, taxes have been imposed upon the rent of houses, I do not know of any in which ground-rents have been considered as a separate subject of taxation. The contrivers of taxes have, probably, found some difficulty in ascertaining what part of the rent ought to be considered as ground-rent, and what part ought to be considered as building-rent. It should not, however, seem very difficult to distinguish those two parts of the rent from one another.

In Great Britain the rent of houses is supposed to be taxed in the same proportion as the rent of land, by what is called the annual land tax. The valuation, according to which each different parish and district is assessed to this tax, is always the same. It was originally extremely unequal, and it still continues to be so. Through the greater part of the kingdom this tax falls still more lightly upon the rent of houses than upon that of land. In some few districts only, which were originally rated high, and in which the

rents of houses have fallen considerably, the land tax of three or four shillings in the pound is said to amount to an equal proportion of the real rent of houses. Untenanted houses, though by law subject to the tax, are, in most districts, exempted from it by the favour of the assessors; and this exemption sometimes occasions some little variation in the rate of particular houses, though that of the district is always the same. Improvements of rent, by new buildings, repairs, etc. go to the discharge of the district, which occasions still further variations in the rate of particular houses.

In the province of Holland, {Memoires concernant les Droits, etc. p. 223.} every house is taxed at two and a-half per cent. of its value, without any regard, either to the rent which it actually pays, or to the circumstance of its being tenanted or untenanted. There seems to be a hardship in obliging the proprietor to pay a tax for an untenanted house, from which he can derive no revenue, especially so very heavy a tax. In Holland, where the market rate of interest does not exceed three per cent., two and a-half per cent. upon the whole value of the house must, in most cases, amount to more than a third of the building-rent, perhaps of the whole rent. The valuation, indeed, according to which the houses are rated, though very unequal, is said to be always below the real value. When a house is rebuilt, improved, or enlarged, there is a new valuation, and the tax is rated accordingly.

The contrivers of the several taxes which in England have, at different times, been imposed upon houses, seem to have imagined that there was some great difficulty in ascertaining, with tolerable exactness, what was the real rent of every house. They have regulated their taxes, therefore, according to some more obvious circumstance, such as they had probably imagined would, in most cases, bear some proportion to the rent.

The first tax of this kind was hearth-money; or a tax of two shillings upon every hearth. In order to ascertain how many hearths were in the house, it was necessary that the tax-gatherer should enter every room in it. This odious visit rendered the tax odious. Soon after the Revolution, therefore, it was abolished as a badge of slavery.

The next tax of this kind was a tax of two shillings upon every dwelling-house inhabited. A house with ten windows to pay four shillings more. A house with twenty windows and upwards to pay eight shillings. This tax was afterwards so far altered, that houses with twenty windows, and with less than thirty, were ordered to pay ten shillings, and those with thirty windows and upwards to pay twenty shillings. The number of windows can, in most cases, be counted from the outside, and, in all cases, without entering every room in the house. The visit of the tax-gatherer, therefore, was less offensive in this tax than in the hearth-money.

This tax was afterwards repealed, and in the room of it was established the window-tax, which has undergone two several alterations and augmentations. The window tax, as it stands at present (January 1775), over and above the duty of three shillings upon every house in England, and of one shilling upon every house in Scotland, lays a duty upon every window, which in England augments gradually from twopence, the lowest rate upon houses with not more than seven windows, to two shillings, the highest rate upon houses with twenty-five windows and upwards.

The principal objection to all such taxes is their inequality; an inequality of the worst kind, as they must frequently fall much heavier upon the poor than upon the rich. A house of ten pounds rent in a country town, may sometimes have more windows than a house of five hundred pounds rent in London; and though the inhabitant of the former is likely to be a much poorer man than that of the latter, yet, so far as his contribution is regulated by the window tax, he must contribute more to the support of the state. Such taxes are, therefore, directly contrary to the first of the four maxims above mentioned. They do not seem to offend much against any of the other three.

The natural tendency of the window tax, and of all other taxes upon houses, is to lower rents. The more a man pays for the tax, the less, it is evident, he can afford to pay for the rent. Since the

imposition of the window tax, however, the rents of houses have, upon the whole, risen more or less, in almost every town and village of Great Britain, with which I am acquainted. Such has been, almost everywhere, the increase of the demand for houses, that it has raised the rents more than the window tax could sink them; one of the many proofs of the great prosperity of the country, and of the increasing revenue of its inhabitants. Had it not been for the tax, rents would probably have risen still higher.

## **ARTICLE II. — Taxes upon Profit, or upon the Revenue arising from Stock.**

The revenue or profit arising from stock naturally divides itself into two parts; that which pays the interest, and which belongs to the owner of the stock; and that surplus part which is over and above what is necessary for paying the interest.

This latter part of profit is evidently a subject not taxable directly. It is the compensation, and, in most cases, it is no more than a very moderate compensation for the risk and trouble of employing the stock. The employer must have this compensation, otherwise he cannot, consistently with his own interest, continue the employment. If he was taxed directly, therefore, in proportion to the whole profit, he would be obliged either to raise the rate of his profit, or to charge the tax upon the interest of money; that is,

to pay less interest. If he raised the rate of his profit in proportion to the tax, the whole tax, though it might be advanced by him, would be finally paid by one or other of two different sets of people, according to the different ways in which he might employ the stock of which he had the management. If he employed it as a farming stock, in the cultivation of land, he could raise the rate of his profit only by retaining a greater portion, or, what comes to the same thing, the price of a greater portion, of the produce of the land; and as this could be done only by a reduction of rent, the final payment of the tax would fall upon the landlord. If he employed it as a mercantile or manufacturing stock, he could raise the rate of his profit only by raising the price of his goods; in which case, the final payment of the tax would fall altogether upon the consumers of those goods. If he did not raise the rate of his profit, he would be obliged to charge the whole tax upon that part of it which was allotted for the interest of money. He could afford less interest for whatever stock he borrowed, and the whole weight of the tax would, in this case, fall ultimately upon the interest of money. So far as he could not relieve himself from the tax in the one way, he would be obliged to relieve himself in the other.

The interest of money seems, at first sight, a subject equally capable of being taxed directly as the rent of land. Like the rent of land, it is a neat produce, which remains, after completely com-

pensating the whole risk and trouble of employing the stock. As a tax upon the rent of land cannot raise rents, because the neat produce which remains, after replacing the stock of the farmer, together with his reasonable profit, cannot be greater after the tax than before it, so, for the same reason, a tax upon the interest of money could not raise the rate of interest; the quantity of stock or money in the country, like the quantity of land, being supposed to remain the same after the tax as before it. The ordinary rate of profit, it has been shewn, in the first book, is everywhere regulated by the quantity of stock to be employed, in proportion to the quantity of the employment, or of the business which must be done by it. But the quantity of the employment, or of the business to be done by stock, could neither be increased nor diminished by any tax upon the interest of money. If the quantity of the stock to be employed, therefore, was neither increased nor diminished by it, the ordinary rate of profit would necessarily remain the same. But the portion of this profit, necessary for compensating the risk and trouble of the employer, would likewise remain the same; that risk and trouble being in no respect altered. The residue, therefore, that portion which belongs to the owner of the stock, and which pays the interest of money, would necessarily remain the same too. At first sight, therefore, the interest of money seems to be a subject as fit to be taxed directly as the rent of land.

There are, however, two different circumstances, which render the interest of money a much less proper subject of direct taxation than the rent of land.

First, the quantity and value of the land which any man possesses, can never be a secret, and can always be ascertained with great exactness. But the whole amount of the capital stock which he possesses is almost always a secret, and can scarce ever be ascertained with tolerable exactness. It is liable, besides, to almost continual variations. A year seldom passes away, frequently not a month, sometimes scarce a single day, in which it does not rise or fall more or less. An inquisition into every man's private circumstances, and an inquisition which, in order to accommodate the tax to them, watched over all the fluctuations of his fortune, would be a source of such continual and endless vexation as no person could support.

Secondly, land is a subject which cannot be removed; whereas stock easily may. The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax; and would remove his stock to some other country, where he could either carry on his

business, or enjoy his fortune more at his ease. By removing his stock, he would put an end to all the industry which it had maintained in the country which he left. Stock cultivates land; stock employs labour. A tax which tended to drive away stock from any particular country, would so far tend to dry up every source of revenue, both to the sovereign and to the society. Not only the profits of stock, but the rent of land, and the wages of labour, would necessarily be more or less diminished by its removal.

The nations, accordingly, who have attempted to tax the revenue arising from stock, instead of any severe inquisition of this kind, have been obliged to content themselves with some very loose, and, therefore, more or less arbitrary estimation. The extreme inequality and uncertainty of a tax assessed in this manner, can be compensated only by its extreme moderation; in consequence of which, every man finds himself rated so very much below his real revenue, that he gives himself little disturbance though his neighbour should be rated somewhat lower.

By what is called the land tax in England, it was intended that the stock should be taxed in the same proportion as land. When the tax upon land was at four shillings in the pound, or at one-fifth of the supposed rent, it was intended that stock should be taxed at one-fifth of the supposed interest. When the present annual land tax was first imposed, the legal rate of interest was six

per cent. Every hundred pounds stock, accordingly, was supposed to be taxed at twenty-four shillings, the fifth part of six pounds. Since the legal rate of interest has been reduced to five per cent. every hundred pounds stock is supposed to be taxed at twenty shillings only. The sum to be raised, by what is called the land tax, was divided between the country and the principal towns. The greater part of it was laid upon the country; and of what was laid upon the towns, the greater part was assessed upon the houses. What remained to be assessed upon the stock or trade of the towns (for the stock upon the land was not meant to be taxed) was very much below the real value of that stock or trade. Whatever inequalities, therefore, there might be in the original assessment, gave little disturbance. Every parish and district still continues to be rated for its land, its houses, and its stock, according to the original assessment; and the almost universal prosperity of the country, which, in most places, has raised very much the value of all these, has rendered those inequalities of still less importance now. The rate, too, upon each district, continuing always the same, the uncertainty of this tax, so far as it might be assessed upon the stock of any individual, has been very much diminished, as well as rendered of much less consequence. If the greater part of the lands of England are not rated to the land tax at half their actual value, the greater part of the stock of England is, perhaps, scarce rated at

the fiftieth part of its actual value. In some towns, the whole land tax is assessed upon houses; as in Westminster, where stock and trade are free. It is otherwise in London.

In all countries, a severe inquisition into the circumstances of private persons has been carefully avoided.

At Hamburg, {Memoires concernant les Droits, tom. i, p.74} every inhabitant is obliged to pay to the state one fourth per cent. of all that he possesses; and as the wealth of the people of Hamburg consists principally in stock, this tax maybe considered as a tax upon stock. Every man assesses himself, and, in the presence of the magistrate, puts annually into the public coffer a certain sum of money, which he declares upon oath, to be one fourth per cent. of all that he possesses, but without declaring what it amounts to, or being liable to any examination upon that subject. This tax is generally supposed to be paid with great fidelity. In a small republic, where the people have entire confidence in their magistrates, are convinced of the necessity of the tax for the support of the state, and believe that it will be faithfully applied to that purpose, such conscientious and voluntary payment may sometimes be expected. It is not peculiar to the people of Hamburg.

The canton of Underwald, in Switzerland, is frequently ravaged by storms and inundations, and it is thereby exposed to extraordinary expenses. Upon such occasions the people assemble, and ev-

ery one is said to declare with the greatest frankness what he is worth, in order to be taxed accordingly. At Zurich, the law orders, that in cases of necessity, every one should be taxed in proportion to his revenue; the amount of which he is obliged to declare upon oath. They have no suspicion, it is said, that any of their fellow citizens will deceive them. At Basil, the principal revenue of the state arises from a small custom upon goods exported. All the citizens make oath, that they will pay every three months all the taxes imposed by law. All merchants, and even all inn-keepers, are trusted with keeping themselves the account of the goods which they sell, either within or without the territory. At the end of every three months, they send this account to the treasurer, with the amount of the tax computed at the bottom of it. It is not suspected that the revenue suffers by this confidence. {Memoires concernant les Droits, tom. i p. 163, 167, 171.}

To oblige every citizen to declare publicly upon oath, the amount of his fortune, must not, it seems, in those Swiss cantons, be reckoned a hardship. At Hamburg it would be reckoned the greatest. Merchants engaged in the hazardous projects of trade, all tremble at the thoughts of being obliged, at all times, to expose the real state of their circumstances. The ruin of their credit, and the miscarriage of their projects, they foresee, would too often be the consequence. A sober and parsimonious people, who are strangers

to all such projects, do not feel that they have occasion for any such concealment.

In Holland, soon after the exaltation of the late prince of Orange to the stadtholdership, a tax of two per cent. or the fiftieth penny, as it was called, was imposed upon the whole substance of every citizen. Every citizen assessed himself, and paid his tax, in the same manner as at Hamburg, and it was in general supposed to have been paid with great fidelity. The people had at that time the greatest affection for their new government, which they had just established by a general insurrection. The tax was to be paid but once, in order to relieve the state in a particular exigency. It was, indeed, too heavy to be permanent. In a country where the market rate of interest seldom exceeds three per cent., a tax of two per cent. amounts to thirteen shillings and four pence in the pound, upon the highest neat revenue which is commonly drawn from stock. It is a tax which very few people could pay, without encroaching more or less upon their capitals. In a particular exigency, the people may, from great public zeal, make a great effort, and give up even a part of their capital, in order to relieve the state. But it is impossible that they should continue to do so for any considerable time; and if they did, the tax would soon ruin them so completely, as to render them altogether incapable of supporting the state.



The tax upon stock, imposed by the land tax bill in England, though it is proportioned to the capital, is not intended to diminish or, take away any part of that capital. It is meant only to be a tax upon the interest of money, proportioned to that upon the rent of land; so that when the latter is at four shillings in the pound, the former may be at four shillings in the pound too. The tax at Hamburg, and the still more moderate taxes of Underwald and Zurich, are meant, in the same manner, to be taxes, not upon the capital, but upon the interest or neat revenue of stock. That of Holland was meant to be a tax upon the capital.

### **Taxes upon the Profit of particular Employments.**

In some countries, extraordinary taxes are imposed upon the profits of stock; sometimes when employed in particular branches of trade, and sometimes when employed in agriculture.

Of the former kind, are in England, the tax upon hawkers and pedlars, that upon hackney-coaches and chairs, and that which the keepers of ale-houses pay for a licence to retail ale and spiritous liquors. During the late war, another tax of the same kind was proposed upon shops. The war having been undertaken, it was said, in defence of the trade of the country, the merchants, who were to profit by it, ought to contribute towards the support of it.

A tax, however, upon the profits of stock employed in any particular branch of trade, can never fall finally upon the dealers (who must in all ordinary cases have their reasonable profit, and, where the competition is free, can seldom have more than that profit), but always upon the consumers, who must be obliged to pay in the price of the goods the tax which the dealer advances; and generally with some overcharge.

A tax of this kind, when it is proportioned to the trade of the dealer, is finally paid by the consumer, and occasions no oppression to the dealer. When it is not so proportioned, but is the same upon all dealers, though in this case, too, it is finally paid by the consumer, yet it favours the great, and occasions some oppression to the small dealer. The tax of five shillings a-week upon every hackney coach, and that of ten shillings a-year upon every hackney chair, so far as it is advanced by the different keepers of such coaches and chairs, is exactly enough proportioned to the extent of their respective dealings. It neither favours the great, nor oppresses the smaller dealer. The tax of twenty shillings a-year for a licence to sell ale; of forty shillings for a licence to sell spiritous liquors; and of forty shillings more for a licence to sell wine, being the same upon all retailers, must necessarily give some advantage to the great, and occasion some oppression to the small dealers. The former must find it more easy to get back the tax in the price

of their goods than the latter. The moderation of the tax, however, renders this inequality of less importance; and it may to many people appear not improper to give some discouragement to the multiplication of little ale-houses. The tax upon shops, it was intended, should be the same upon all shops. It could not well have been otherwise. It would have been impossible to proportion, with tolerable exactness, the tax upon a shop to the extent of the trade carried on in it, without such an inquisition as would have been altogether insupportable in a free country. If the tax had been considerable, it would have oppressed the small, and forced almost the whole retail trade into the hands of the great dealers. The competition of the former being taken away, the latter would have enjoyed a monopoly of the trade; and, like all other monopolists, would soon have combined to raise their profits much beyond what was necessary for the payment of the tax. The final payment, instead of falling upon the shop-keeper, would have fallen upon the consumer, with a considerable overcharge to the profit of the shop-keeper. For these reasons, the project of a tax upon shops was laid aside, and in the room of it was substituted the subsidy, 1759.

What in France is called the personal taille, is perhaps, the most important tax upon the profits of stock employed in agriculture, that is levied in any part of Europe.

In the disorderly state of Europe, during the prevalence of the feudal government, the sovereign was obliged to content himself with taxing those who were too weak to refuse to pay taxes. The great lords, though willing to assist him upon particular emergencies, refused to subject themselves to any constant tax, and he was not strong enough to force them. The occupiers of land all over Europe were, the greater part of them, originally bond-men. Through the greater part of Europe, they were gradually emancipated. Some of them acquired the property of landed estates, which they held by some base or ignoble tenure, sometimes under the king, and sometimes under some other great lord, like the ancient copy-holders of England. Others, without acquiring the property, obtained leases for terms of years, of the lands which they occupied under their lord, and thus became less dependent upon him. The great lords seem to have beheld the degree of prosperity and independency, which this inferior order of men had thus come to enjoy, with a malignant and contemptuous indignation, and willingly consented that the sovereign should tax them. In some countries, this tax was confined to the lands which were held in property by an ignoble tenure; and, in this case, the taille was said to be real. The land tax established by the late king of Sardinia, and the taille in the provinces of Languedoc, Provence, Dauphine, and Brittany; in the generality of Montauban, and in the elections of

Agen and Condom, as well as in some other districts of France; are taxes upon lands held in property by an ignoble tenure. In other countries, the tax was laid upon the supposed profits of all those who held, in farm or lease, lands belonging to other people, whatever might be the tenure by which the proprietor held them; and in this case, the *taille* was said to be personal. In the greater part of those provinces of France, which are called the countries of elections, the *taille* is of this kind. The real *taille*, as it is imposed only upon a part of the lands of the country, is necessarily an unequal, but it is not always an arbitrary tax, though it is so upon some occasions. The personal *taille*, as it is intended to be proportioned to the profits of a certain class of people, which can only be guessed at, is necessarily both arbitrary and unequal.

In France, the personal *taille* at present (1775) annually imposed upon the twenty generalities, called the countries of elections, amounts to 40,107,239 livres, 16 sous. {Memoires concernant les Droits, etc tom. ii, p.17.} the proportion in which this sum is assessed upon those different provinces, varies from year to year, according to the reports which are made to the king's council concerning the goodness or badness of the crops, as well as other circumstances, which may either increase or diminish their respective abilities to pay. Each generality is divided into a certain number of elections; and the proportion in which the sum im-

posed upon the whole generality is divided among those different elections, varies likewise from year to year, according to the reports made to the council concerning their respective abilities. It seems impossible, that the council, with the best intentions, can ever proportion, with tolerable exactness, either of these two assessments to the real abilities of the province or district upon which they are respectively laid. Ignorance and misinformation must always, more or less, mislead the most upright council. The proportion which each parish ought to support of what is assessed upon the whole election, and that which each individual ought to support of what is assessed upon his particular parish, are both in the same manner varied from year to year, according as circumstances are supposed to require. These circumstances are judged of, in the one case, by the officers of the election, in the other, by those of the parish; and both the one and the other are, more or less, under the direction and influence of the intendant. Not only ignorance and misinformation, but friendship, party animosity, and private resentment, are said frequently to mislead such assessors. No man subject to such a tax, it is evident, can ever be certain, before he is assessed, of what he is to pay. He cannot even be certain after he is assessed. If any person has been taxed who ought to have been exempted, or if any person has been taxed beyond his proportion, though both must pay in the mean time, yet if they complain, and

make good their complaints, the whole parish is reimposed next year, in order to reimburse them. If any of the contributors become bankrupt or insolvent, the collector is obliged to advance his tax; and the whole parish is reimposed next year, in order to reimburse the collector. If the collector himself should become bankrupt, the parish which elects him must answer for his conduct to the receiver-general of the election. But, as it might be troublesome for the receiver to prosecute the whole parish, he takes at his choice five or six of the richest contributors, and obliges them to make good what had been lost by the insolvency of the collector. The parish is afterwards reimposed, in order to reimburse those five or six. Such reimpositions are always over and above the *taille* of the particular year in which they are laid on.

When a tax is imposed upon the profits of stock in a particular branch of trade, the traders are all careful to bring no more goods to market than what they can sell at a price sufficient to reimburse them from advancing the tax. Some of them withdraw a part of their stocks from the trade, and the market is more sparingly supplied than before. The price of the goods rises, and the final payment of the tax falls upon the consumer. But when a tax is imposed upon the profits of stock employed in agriculture, it is not the interest of the farmers to withdraw any part of their stock from that employment. Each farmer occupies a certain quantity

of land, for which he pays rent. For the proper cultivation of this land, a certain quantity of stock is necessary; and by withdrawing any part of this necessary quantity, the farmer is not likely to be more able to pay either the rent or the tax. In order to pay the tax, it can never be his interest to diminish the quantity of his produce, nor consequently to supply the market more sparingly than before. The tax, therefore, will never enable him to raise the price of his produce, so as to reimburse himself, by throwing the final payment upon the consumer. The farmer, however, must have his reasonable profit as well as every other dealer, otherwise he must give up the trade. After the imposition of a tax of this kind, he can get this reasonable profit only by paying less rent to the landlord. The more he is obliged to pay in the way of tax, the less he can afford to pay in the way of rent. A tax of this kind, imposed during the currency of a lease, may, no doubt, distress or ruin the farmer. Upon the renewal of the lease, it must always fall upon the landlord.

In the countries where the personal *taille* takes place, the farmer is commonly assessed in proportion to the stock which he appears to employ in cultivation. He is, upon this account, frequently afraid to have a good team of horses or oxen, but endeavours to cultivate with the meanest and most wretched instruments of husbandry that he can. Such is his distrust in the justice of his assessors, that

he counterfeits poverty, and wishes to appear scarce able to pay anything, for fear of being obliged to pay too much. By this miserable policy, he does not, perhaps, always consult his own interest in the most effectual manner; and he probably loses more by the diminution of his produce, than he saves by that of his tax. Though, in consequence of this wretched cultivation, the market is, no doubt, somewhat worse supplied; yet the small rise of price which this may occasion, as it is not likely even to indemnify the farmer for the diminution of his produce, it is still less likely to enable him to pay more rent to the landlord. The public, the farmer, the landlord, all suffer more or less by this degraded cultivation. That the personal taille tends, in many different ways, to discourage cultivation, and consequently to dry up the principal source of the wealth of every great country, I have already had occasion to observe in the third book of this Inquiry.

What are called poll-taxes in the southern provinces of North America, and the West India islands, annual taxes of so much a-head upon every negro, are properly taxes upon the profits of a certain species of stock employed in agriculture. As the planters, are the greater part of them, both farmers and landlords, the final payment of the tax falls upon them in their quality of landlords, without any retribution.

Taxes of so much a head upon the bondmen employed in culti-

vation, seem anciently to have been common all over Europe. There subsists at present a tax of this kind in the empire of Russia. It is probably upon this account that poll-taxes of all kinds have often been represented as badges of slavery. Every tax, however, is, to the person who pays it, a badge, not of slavery, but of liberty. It denotes that he is subject to government, indeed; but that, as he has some property, he cannot himself be the property of a master. A poll tax upon slaves is altogether different from a poll-tax upon freemen. The latter is paid by the persons upon whom it is imposed; the former, by a different set of persons. The latter is either altogether arbitrary, or altogether unequal, and, in most cases, is both the one and the other; the former, though in some respects unequal, different slaves being of different values, is in no respect arbitrary. Every master, who knows the number of his own slaves, knows exactly what he has to pay. Those different taxes, however, being called by the same name, have been considered as of the same nature.

The taxes which in Holland are imposed upon men and maid servants, are taxes, not upon stock, but upon expense; and so far resemble the taxes upon consumable commodities. The tax of a guinea a-head for every man-servant, which has lately been imposed in Great Britain, is of the same kind. It falls heaviest upon the middling rank. A man of two hundred a-year may keep a single

man-servant. A man of ten thousand a-year will not keep fifty. It does not affect the poor.

Taxes upon the profits of stock, in particular employments, can never affect the interest of money. Nobody will lend his money for less interest to those who exercise the taxed, than to those who exercise the untaxed employments. Taxes upon the revenue arising from stock in all employments, where the government attempts to levy them with any degree of exactness, will, in many cases, fall upon the interest of money. The vingtieme, or twentieth penny, in France, is a tax of the same kind with what is called the land tax in England, and is assessed, in the same manner, upon the revenue arising upon land, houses, and stock. So far as it affects stock, it is assessed, though not with great rigour, yet with much more exactness than that part of the land tax in England which is imposed upon the same fund. It, in many cases, falls altogether upon the interest of money. Money is frequently sunk in France, upon what are called contracts for the constitution of a rent; that is, perpetual annuities, redeemable at any time by the debtor, upon payment of the sum originally advanced, but of which this redemption is not exigible by the creditor except in particular cases. The vingtieme seems not to have raised the rate of those annuities, though it is exactly levied upon them all.

## **APPENDIX TO ARTICLES I. AND II. — Taxes upon the Capital Value of Lands, Houses, and Stock.**

While property remains in the possession of the same person, whatever permanent taxes may have been imposed upon it, they have never been intended to diminish or take away any part of its capital value, but only some part of the revenue arising from it. But when property changes hands, when it is transmitted either from the dead to the living, or from the living to the living, such taxes have frequently been imposed upon it as necessarily take away some part of its capital value.

The transference of all sorts of property from the dead to the living, and that of immoveable property of land and houses from the living to the living, are transactions which are in their nature either public and notorious, or such as cannot be long concealed. Such transactions, therefore, may be taxed directly. The transference of stock or moveable property, from the living to the living, by the lending of money, is frequently a secret transaction, and may always be made so. It cannot easily, therefore, be taxed directly. It has been taxed indirectly in two different ways; first, by requiring that the deed, containing the obligation to repay, should be written upon paper or parchment which had paid a certain stamp duty, otherwise not to be valid; secondly, by requiring, un-

der the like penalty of invalidity, that it should be recorded either in a public or secret register, and by imposing certain duties upon such registration. Stamp duties, and duties of registration, have frequently been imposed likewise upon the deeds transferring property of all kinds from the dead to the living, and upon those transferring immoveable property from the living to the living; transactions which might easily have been taxed directly.

The *vicesima hereditatum*, or the twentieth penny of inheritances, imposed by Augustus upon the ancient Romans, was a tax upon the transference of property from the dead to the living. Dion Cassius, { Lib. 55. See also Burman. *de Vectigalibus Pop. Rom.* cap. xi. and Bouchaud de l'impôt du vingtième sur les successions.} the author who writes concerning it the least indistinctly, says, that it was imposed upon all successions, legacies and donations, in case of death, except upon those to the nearest relations, and to the poor.

Of the same kind is the Dutch tax upon successions. {See *Memoires concernant les Droits*, etc. tom i, p. 225.} Collateral successions are taxed according to the degree of relation, from five to thirty per cent. upon the whole value of the succession. Testamentary donations, or legacies to collaterals, are subject to the like duties. Those from husband to wife, or from wife to husband, to the fiftieth penny. The *luctuosa hereditas*, the mournful succes-

sion of ascendants to descendants, to the twentieth penny only. Direct successions, or those of descendants to ascendants, pay no tax. The death of a father, to such of his children as live in the same house with him, is seldom attended with any increase, and frequently with a considerable diminution of revenue; by the loss of his industry, of his office, or of some life-rent estate, of which he may have been in possession. That tax would be cruel and oppressive, which aggravated their loss, by taking from them any part of his succession. It may, however, sometimes be otherwise with those children, who, in the language of the Roman law, are said to be emancipated; in that of the Scotch law, to be *foris-familiated*; that is, who have received their portion, have got families of their own, and are supported by funds separate and independent of those of their father. Whatever part of his succession might come to such children, would be a real addition to their fortune, and might, therefore, perhaps, without more inconveniency than what attends all duties of this kind, be liable to some tax.

The casualties of the feudal law were taxes upon the transference of land, both from the dead to the living, and from the living to the living. In ancient times, they constituted, in every part of Europe, one of the principal branches of the revenue of the crown.

The heir of every immediate vassal of the crown paid a certain duty, generally a year's rent, upon receiving the investiture of the

estate. If the heir was a minor, the whole rents of the estate, during the continuance of the minority, devolved to the superior, without any other charge besides the maintenance of the minor, and the payment of the widow's dower, when there happened to be a dowager upon the land. When the minor came to de of age, another tax, called relief, was still due to the superior, which generally amounted likewise to a year's rent. A long minority, which, in the present times, so frequently disburdens a great estate of all its incumbrances, and restores the family to their ancient splendour, could in those times have no such effect. The waste, and not the disincumbrance of the estate, was the common effect of a long minority.

By a feudal law, the vassal could not alienate without the consent of his superior, who generally extorted a fine or composition on granting it. This fine, which was at first arbitrary, came, in many countries, to be regulated at a certain portion of the price of the land. In some countries, where the greater part of the other feudal customs have gone into disuse, this tax upon the alienation of land still continues to make a very considerable branch of the revenue of the sovereign. In the canton of Berne it is so high as a sixth part of the price of all noble fiefs, and a tenth part of that of all ignoble ones. {Memoires concernant les Droits, etc, tom.i p.154} In the canton of Lucern, the tax upon the sale of land is not universal, and takes place only in certain districts. But if any person

sells his land in order to remove out of the territory, he pays ten per cent. upon the whole price of the sale. {id. p.157.} Taxes of the same kind, upon the sale either of all lands, or of lands held by certain tenures, take place in many other countries, and make a more or less considerable branch of the revenue of the sovereign.

Such transactions may be taxed indirectly, by means either of stamp duties, or of duties upon registration; and those duties either may, or may not, be proportioned to the value of the subject which is transferred.

In Great Britain, the stamp duties are higher or lower, not so much according to the value of the property transferred (an eighteen-penny or half-crown stamp being sufficient upon a bond for the largest sum of money), as according to the nature of the deed. The highest do not exceed six pounds upon every sheet of paper, or skin of parchment; and these high duties fall chiefly upon grants from the crown, and upon certain law proceedings, without any regard to the value of the subject. There are, in Great Britain, no duties on the registration of deeds or writings, except the fees of the officers who keep the register; and these are seldom more than a reasonable recompence for their labour. The crown derives no revenue from them.

In Holland {Memoires concernant les Droits, etc. tom. i. p 223, 224, 225.} there are both stamp duties and duties upon registra-



tion; which in some cases are, and in some are not, proportioned to the value of the property transferred. All testaments must be written upon stamped paper, of which the price is proportioned to the property disposed of; so that there are stamps which cost from three pence or three stivers a-sheet, to three hundred florins, equal to about twenty-seven pounds ten shillings of our money. If the stamp is of an inferior price to what the testator ought to have made use of, his succession is confiscated. This is over and above all their other taxes on succession. Except bills of exchange, and some other mercantile bills, all other deeds, bonds, and contracts, are subject to a stamp duty. This duty, however, does not rise in proportion to the value of the subject. All sales of land and of houses, and all mortgages upon either, must be registered, and, upon registration, pay a duty to the state of two and a-half per cent. upon the amount of the price or of the mortgage. This duty is extended to the sale of all ships and vessels of more than two tons burden, whether decked or undecked. These, it seems, are considered as a sort of houses upon the water. The sale of moveables, when it is ordered by a court of justice, is subject to the like duty of two and a-half per cent.

In France, there are both stamp duties and duties upon registration. The former are considered as a branch of the aids of excise, and, in the provinces where those duties take place, are levied by

the excise officers. The latter are considered as a branch of the domain of the crown and are levied by a different set of officers.

Those modes of taxation by stamp duties and by duties upon registration, are of very modern invention. In the course of little more than a century, however, stamp duties have, in Europe, become almost universal, and duties upon registration extremely common. There is no art which one government sooner learns of another, than that of draining money from the pockets of the people.

Taxes upon the transference of property from the dead to the living, fall finally, as well as immediately, upon the persons to whom the property is transferred. Taxes upon the sale of land fall altogether upon the seller. The seller is almost always under the necessity of selling, and must, therefore, take such a price as he can get. The buyer is scarce ever under the necessity of buying, and will, therefore, only give such a price as he likes. He considers what the land will cost him, in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must, therefore, be frequently very cruel and oppressive. Taxes upon the sale of new-built houses, where the building is sold without the ground, fall generally upon the buyer, because the builder must generally have his profit; otherwise he must give up the trade. If he advances the tax, therefore, the buyer

must generally repay it to him. Taxes upon the sale of old houses, for the same reason as those upon the sale of land, fall generally upon the seller; whom, in most cases, either conveniency or necessity obliges to sell. The number of new-built houses that are annually brought to market, is more or less regulated by the demand. Unless the demand is such as to afford the builder his profit, after paying all expenses, he will build no more houses. The number of old houses which happen at any time to come to market, is regulated by accidents, of which the greater part have no relation to the demand. Two or three great bankruptcies in a mercantile town, will bring many houses to sale, which must be sold for what can be got for them. Taxes upon the sale of ground-rents fall altogether upon the seller, for the same reason as those upon the sale of lands. Stamp duties, and duties upon the registration of bonds and contracts for borrowed money, fall altogether upon the borrower, and, in fact, are always paid by him. Duties of the same kind upon law proceedings fall upon the suitors. They reduce to both the capital value of the subject in dispute. The more it costs to acquire any property, the less must be the neat value of it when acquired.

All taxes upon the transference of property of every kind, so far as they diminish the capital value of that property, tend to diminish the funds destined for the maintenance of productive labour.

They are all more or less unthrifty taxes that increase the revenue of the sovereign, which seldom maintains any but unproductive labourers, at the expense of the capital of the people, which maintains none but productive.

Such taxes, even when they are proportioned to the value of the property transferred, are still unequal; the frequency of transference not being always equal in property of equal value. When they are not proportioned to this value, which is the case with the greater part of the stamp duties and duties of registration, they are still more so. They are in no respect arbitrary, but are, or may be, in all cases, perfectly clear and certain. Though they sometimes fall upon the person who is not very able to pay, the time of payment is, in most cases, sufficiently convenient for him. When the payment becomes due, he must, in most cases, have the more to pay. They are levied at very little expense, and in general subject the contributors to no other inconveniency, besides always the unavoidable one of paying the tax.

In France, the stamp duties are not much complained of. Those of registration, which they call the *Controle*, are. They give occasion, it is pretended, to much extortion in the officers of the farmers-general who collect the tax, which is in a great measure arbitrary and uncertain. In the greater part of the libels which have

been written against the present system of finances in France, the abuses of the controle make a principal article. Uncertainty, however, does not seem to be necessarily inherent in the nature of such taxes. If the popular complaints are well founded, the abuse must arise, not so much from the nature of the tax as from the want of precision and distinctness in the words of the edicts or laws which impose it.

The registration of mortgages, and in general of all rights upon immoveable property, as it gives great security both to creditors and purchasers, is extremely advantageous to the public. That of the greater part of deeds of other kinds, is frequently inconvenient and even dangerous to individuals, without any advantage to the public. All registers which, it is acknowledged, ought to be kept secret, ought certainly never to exist. The credit of individuals ought certainly never to depend upon so very slender a security, as the probity and religion of the inferior officers of revenue. But where the fees of registration have been made a source of revenue to the sovereign, register-offices have commonly been multiplied without end, both for the deeds which ought to be registered, and for those which ought not. In France there are several different sorts of secret registers. This abuse, though not perhaps a necessary, it must be acknowledged, is a very natural effect of such taxes.

Such stamp duties as those in England upon cards and dice,

upon newspapers and periodical pamphlets, etc. are properly taxes upon consumption; the final payment falls upon the persons who use or consume such commodities. Such stamp duties as those upon licences to retail ale, wine, and spiritous liquors, though intended, perhaps, to fall upon the profits of the retailers, are likewise finally paid by the consumers of those liquors. Such taxes, though called by the same name, and levied by the same officers, and in the same manner with the stamp duties above mentioned upon the transference of property, are, however, of a quite different nature, and fall upon quite different funds.

### **ARTICLE III. — Taxes upon the Wages of Labour.**

The wages of the inferior classes of work men, I have endeavoured to show in the first book are everywhere necessarily regulated by two different circumstances; the demand for labour, and the ordinary or average price of provisions. The demand for labour, according as it happens to be either increasing stationary or declining; or to require an increasing, stationary, or declining population, regulates the subsistence of the labourer, and determines in what degree it shall be either liberal, moderate, or scanty. The ordinary average price of provisions determines the quantity of money which must be paid to the workman, in order to enable him, one year with another, to purchase this liberal, moderate, or

scanty subsistence. While the demand for the labour and the price of provisions, therefore, remain the same, a direct tax upon the wages of labour can have no other effect, than to raise them somewhat higher than the tax. Let us suppose, for example, that, in a particular place, the demand for labour and the price of provisions were such as to render ten shillings a-week the ordinary wages of labour; and that a tax of one-fifth, or four shillings in the pound, was imposed upon wages. If the demand for labour and the price of provisions remained the same, it would still be necessary that the labourer should, in that place, earn such a subsistence as could be bought only for ten shillings a-week; so that, after paying the tax, he should have ten shillings a-week free wages. But, in order to leave him such free wages, after paying such a tax, the price of labour must, in that place, soon rise, not to twelve shillings a week only, but to twelve and sixpence; that is, in order to enable him to pay a tax of one-fifth, his wages must necessarily soon rise, not one-fifth part only, but one-fourth. Whatever was the proportion of the tax, the wages of labour must, in all cases rise, not only in that proportion, but in a higher proportion. If the tax for example, was one-tenth, the wages of labour must necessarily soon rise, not one-tenth part only, but one-eighth.

A direct tax upon the wages of labour, therefore, though the labourer might, perhaps, pay it out of his hand, could not prop-

erly be said to be even advanced by him; at least if the demand for labour and the average price of provisions remained the same after the tax as before it. In all such cases, not only the tax, but something more than the tax, would in reality be advanced by the person who immediately employed him. The final payment would, in different cases, fall upon different persons. The rise which such a tax might occasion in the wages of manufacturing labour would be advanced by the master manufacturer, who would both be entitled and obliged to charge it, with a profit, upon the price of his goods. The final payment of this rise of wages, therefore, together with the additional profit of the master manufacturer would fall upon the consumer. The rise which such a tax might occasion in the wages of country labour would be advanced by the farmer, who, in order to maintain the same number of labourers as before, would be obliged to employ a greater capital. In order to get back this greater capital, together with the ordinary profits of stock, it would be necessary that he should retain a larger portion, or, what comes to the same thing, the price of a larger portion, of the produce of the land, and, consequently, that he should pay less rent to the landlord. The final payment of this rise of wages, therefore, would, in this case, fall upon the landlord, together with the additional profit of the farmer who had advanced it. In all cases, a direct tax upon the wages of labour must, in the long-run, occa-

sion both a greater reduction in the rent of land, and a greater rise in the price of manufactured goods than would have followed from the proper assessment of a sum equal to the produce of the tax, partly upon the rent of land, and partly upon consumable commodities.

If direct taxes upon the wages of labour have not always occasioned a proportionable rise in those wages, it is because they have generally occasioned a considerable fall in the demand of labour. The declension of industry, the decrease of employment for the poor, the diminution of the annual produce of the land and labour of the country, have generally been the effects of such taxes. In consequence of them, however, the price of labour must always be higher than it otherwise would have been in the actual state of the demand; and this enhancement of price, together with the profit of those who advance it, must always be finally paid by the landlords and consumers.

A tax upon the wages of country labour does not raise the price of the rude produce of land in proportion to the tax; for the same reason that a tax upon the farmer's profit does not raise that price in that proportion.

Absurd and destructive as such taxes are, however, they take place in many countries. In France, that part of the *taille* which is charged upon the industry of workmen and day-labourers in coun-

try villages, is properly a tax of this kind. Their wages are computed according to the common rate of the district in which they reside; and, that they may be as little liable as possible to any overcharge, their yearly gains are estimated at no more than two hundred working days in the year. {Memoires concernant les Droits, etc. tom. ii. p. 108.} The tax of each individual is varied from year to year, according to different circumstances, of which the collector or the commissary, whom intendant appoints to assist him, are the judges. In Bohemia, in consequence of the alteration in the system of finances which was begun in 1748, a very heavy tax is imposed upon the industry of artificers. They are divided into four classes. The highest class pay a hundred florins a year, which, at two-and-twenty pence half penny a-florin, amounts to £9:7:6. The second class are taxed at seventy; the third at fifty; and the fourth, comprehending artificers in villages, and the lowest class of those in towns, at twenty-five florins. {Memoires concernant les Droits, etc. tom. iii. p. 87.}

The recompence of ingenious artists, and of men of liberal professions, I have endeavoured to show in the first book, necessarily keeps a certain proportion to the emoluments of inferior trades. A tax upon this recompence, therefore, could have no other effect than to raise it somewhat higher than in proportion to the tax. If it did not rise in this manner, the ingenious arts and the liberal

professions, being; no longer upon a level with other trades, would be so much deserted, that they would soon return to that level.

The emoluments of offices are not, like those of trades and professions, regulated by the free competition of the market, and do not, therefore, always bear a just proportion to what the nature of the employment requires. They are, perhaps, in most countries, higher than it requires; the persons who have the administration of government being generally disposed to regard both themselves and their immediate dependents, rather more than enough. The emoluments of offices, therefore, can, in most cases, very well bear to be taxed. The persons, besides, who enjoy public offices, especially the more lucrative, are, in all countries, the objects of general envy; and a tax upon their emoluments, even though it should be somewhat higher than upon any other sort of revenue, is always a very popular tax. In England, for example, when, by the land-tax, every other sort of revenue was supposed to be assessed at four shillings in the pound, it was very popular to lay a real tax of five shillings and sixpence in the pound upon the salaries of offices which exceeded a hundred pounds a-year; the pensions of the younger branches of the royal family, the pay of the officers of the army and navy, and a few others less obnoxious to envy, excepted. There are in England no other direct taxes upon the wages of labour.

**ARTICLE IV. — Taxes which it is intended should fall indifferently upon every different Species of Revenue.**

The taxes which it is intended should fall indifferently upon every different species of revenue, are capitation taxes, and taxes upon consumable commodities. Those must be paid indifferently, from whatever revenue the contributors may possess; from the rent of their land, from the profits of their stock, or from the wages of their labour.

**Capitation Taxes.**

Capitation taxes, if it is attempted to proportion them to the fortune or revenue of each contributor, become altogether arbitrary. The state of a man's fortune varies from day to day; and, without an inquisition, more intolerable than any tax, and renewed at least once every year, can only be guessed at. His assessment, therefore, must, in most cases, depend upon the good or bad humour of his assessors, and must, therefore, be altogether arbitrary and uncertain.

Capitation taxes, if they are proportioned, not to the supposed fortune, but to the rank of each contributor, become altogether unequal; the degrees of fortune being frequently unequal in the same degree of rank.

Such taxes, therefore, if it is attempted to render them equal, become altogether arbitrary and uncertain; and if it is attempted to render them certain and not arbitrary, become altogether unequal. Let the tax be light or heavy, uncertainty is always a great grievance. In a light tax, a considerable degree of inequality may be supported; in a heavy one, it is altogether intolerable.

In the different poll-taxes which took place in England during the reign of William III. the contributors were, the greater part of them, assessed according to the degree of their rank; as dukes, marquises, earls, viscounts, barons, esquires, gentlemen, the eldest and youngest sons of peers, etc. All shop-keepers and tradesmen worth more than three hundred pounds, that is, the better sort of them, were subject to the same assessment, how great soever might be the difference in their fortunes. Their rank was more considered than their fortune. Several of those who, in the first poll-tax, were rated according to their supposed fortune were afterwards rated according to their rank. Serjeants, attorneys, and proctors at law, who, in the first poll-tax, were assessed at three shillings in the pound of their supposed income, were afterwards assessed as gentlemen. In the assessment of a tax which was not very heavy, a considerable degree of inequality had been found less insupportable than any degree of uncertainty.

In the capitation which has been levied in France, without any

interruption, since the beginning of the present century, the highest orders of people are rated according to their rank, by an invariable tariff; the lower orders of people, according to what is supposed to be their fortune, by an assessment which varies from year to year. The officers of the king's court, the judges, and other officers in the superior courts of justice, the officers of the troops, etc are assessed in the first manner. The inferior ranks of people in the provinces are assessed in the second. In France, the great easily submit to a considerable degree of inequality in a tax which, so far as it affects them, is not a very heavy one; but could not brook the arbitrary assessment of an intendant.

The inferior ranks of people must, in that country, suffer patiently the usage which their superiors think proper to give them.

In England, the different poll-taxes never produced the sum which had been expected from them, or which it was supposed they might have produced, had they been exactly levied. In France, the capitation always produces the sum expected from it. The mild government of England, when it assessed the different ranks of people to the poll-tax, contented itself with what that assessment happened to produce, and required no compensation for the loss which the state might sustain, either by those who could not pay, or by those who would not pay (for there were many such), and who, by the indulgent execution of the law, were not forced to

pay. The more severe government of France assesses upon each generality a certain sum, which the intendant must find as he can. If any province complains of being assessed too high, it may, in the assessment of next year, obtain an abatement proportioned to the overcharge of the year before; but it must pay in the mean time. The intendant, in order to be sure of finding the sum assessed upon his generality, was empowered to assess it in a larger sum, that the failure or inability of some of the contributors might be compensated by the overcharge of the rest; and till 1765, the fixation of this surplus assessment was left altogether to his discretion. In that year, indeed, the council assumed this power to itself. In the capitation of the provinces, it is observed by the perfectly well informed author of the Memoirs upon the Impositions in France, the proportion which falls upon the nobility, and upon those whose privileges exempt them from the taille, is the least considerable. The largest falls upon those subject to the taille, who are assessed to the capitation at so much a-pound of what they pay to that other tax.

Capitation taxes, so far as they are levied upon the lower ranks of people, are direct taxes upon the wages of labour, and are attended with all the inconveniencies of such taxes.

Capitation taxes are levied at little expense; and, where they are rigorously exacted, afford a very sure revenue to the state. It is

upon this account that, in countries where the case, comfort, and security of the inferior ranks of people are little attended to, capitation taxes are very common. It is in general, however, but a small part of the public revenue, which, in a great empire, has ever been drawn from such taxes; and the greatest sum which they have ever afforded, might always have been found in some other way much more convenient to the people.

### **Taxes upon Consumable Commodities.**

The impossibility of taxing the people, in proportion to their revenue, by any capitation, seems to have given occasion to the invention of taxes upon consumable commodities. The state not knowing how to tax, directly and proportionably, the revenue of its subjects, endeavours to tax it indirectly by taxing their expense, which, it is supposed, will, in most cases, be nearly in proportion to their revenue. Their expense is taxed, by taxing the consumable commodities upon which it is laid out.

Consumable commodities are either necessaries or luxuries.

By necessaries I understand, not only the commodities which are indispensibly necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example,



is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably, though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person, of either sex, would be ashamed to appear in public without them. In Scotland, custom has rendered them a necessary of life to the lowest order of men; but not to the same order of women, who may, without any discredit, walk about barefooted. In France, they are necessaries neither to men nor to women; the lowest rank of both sexes appearing there publicly, without any discredit, sometimes in wooden shoes, and sometimes barefooted. Under necessaries, therefore, I comprehend, not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people. All other things I call luxuries, without meaning, by this appellation, to throw the smallest degree of reproach upon the temperate use of them. Beer and ale, for example, in Great Britain, and wine, even in the wine countries, I call luxuries. A man of any rank may, without any reproach, abstain totally

from tasting such liquors. Nature does not render them necessary for the support of life; and custom nowhere renders it indecent to live without them.

As the wages of labour are everywhere regulated, partly by the demand for it, and partly by the average price of the necessary articles of subsistence; whatever raises this average price must necessarily raise those wages; so that the labourer may still be able to purchase that quantity of those necessary articles which the state of the demand for labour, whether increasing, stationary, or declining, requires that he should have. {See book i.chap. 8} A tax upon those articles necessarily raises their price somewhat higher than the amount of the tax, because the dealer, who advances the tax, must generally get it back, with a profit. Such a tax must, therefore, occasion a rise in the wages of labour, proportionable to this rise of price.

It is thus that a tax upon the necessaries of life operates exactly in the same manner as a direct tax upon the wages of labour. The labourer, though he may pay it out of his hand, cannot, for any considerable time at least, be properly said even to advance it. It must always, in the long-run, be advanced to him by his immediate employer, in the advanced state of wages. His employer, if he is a manufacturer, will charge upon the price of his goods the rise of wages, together with a profit, so that the final payment of the tax,

together with this overcharge, will fall upon the consumer. If his employer is a farmer, the final payment, together with a like overcharge, will fall upon the rent of the landlord.

It is otherwise with taxes upon what I call luxuries, even upon those of the poor. The rise in the price of the taxed commodities, will not necessarily occasion any rise in the wages of labour. A tax upon tobacco, for example, though a luxury of the poor, as well as of the rich, will not raise wages. Though it is taxed in England at three times, and in France at fifteen times its original price, those high duties seem to have no effect upon the wages of labour. The same thing maybe said of the taxes upon tea and sugar, which, in England and Holland, have become luxuries of the lowest ranks of people; and of those upon chocolate, which, in Spain, is said to have become so.

The different taxes which, in Great Britain, have, in the course of the present century, been imposed upon spiritous liquors, are not supposed to have had any effect upon the wages of labour. The rise in the price of porter, occasioned by an additional tax of three shillings upon the barrel of strong beer, has not raised the wages of common labour in London. These were about eighteen pence or twenty pence a-day before the tax, and they are not more now.

The high price of such commodities does not necessarily diminish the ability of the inferior ranks of people to bring up fami-

lies. Upon the sober and industrious poor, taxes upon such commodities act as sumptuary laws, and dispose them either to moderate, or to refrain altogether from the use of superfluities which they can no longer easily afford. Their ability to bring up families, in consequence of this forced frugality, instead of being diminished, is frequently, perhaps, increased by the tax. It is the sober and industrious poor who generally bring up the most numerous families, and who principally supply the demand for useful labour. All the poor, indeed, are not sober and industrious; and the dissolute and disorderly might continue to indulge themselves in the use of such commodities, after this rise of price, in the same manner as before, without regarding the distress which this indulgence might bring upon their families. Such disorderly persons, however, seldom rear up numerous families, their children generally perishing from neglect, mismanagement, and the scantiness or unwholesomeness of their food. If by the strength of their constitution, they survive the hardships to which the bad conduct of their parents exposes them, yet the example of that bad conduct commonly corrupts their morals; so that, instead of being useful to society by their industry, they become public nuisances by their vices and disorders. Through the advanced price of the luxuries of the poor, therefore, might increase somewhat the distress of such disorderly families, and thereby diminish somewhat their ability

to bring up children, it would not probably diminish much the useful population of the country.

Any rise in the average price of necessaries, unless it be compensated by a proportionable rise in the wages of labour, must necessarily diminish, more or less, the ability of the poor to bring up numerous families, and, consequently, to supply the demand for useful labour; whatever may be the state of that demand, whether increasing, stationary, or declining; or such as requires an increasing, stationary, or declining population.

Taxes upon luxuries have no tendency to raise the price of any other commodities, except that of the commodities taxed. Taxes upon necessaries, by raising the wages of labour, necessarily tend to raise the price of all manufactures, and consequently to diminish the extent of their sale and consumption. Taxes upon luxuries are finally paid by the consumers of the commodities taxed, without any retribution. They fall indifferently upon every species of revenue, the wages of labour, the profits of stock, and the rent of land. Taxes upon necessaries, so far as they affect the labouring poor, are finally paid, partly by landlords, in the diminished rent of their lands, and partly by rich consumers, whether landlords or others, in the advanced price of manufactured goods; and always with a considerable overcharge. The advanced price of such manufactures as are real necessaries of life, and are destined for the con-

sumption of the poor, of coarse woollens, for example, must be compensated to the poor by a farther advancement of their wages. The middling and superior ranks of people, if they understood their own interest, ought always to oppose all taxes upon the necessaries of life, as well as all taxes upon the wages of labour. The final payment of both the one and the other falls altogether upon themselves, and always with a considerable overcharge. They fall heaviest upon the landlords, who always pay in a double capacity; in that of landlords, by the reduction, of their rent; and in that of rich consumers, by the increase of their expense. The observation of Sir Matthew Decker, that certain taxes are, in the price of certain goods, sometimes repeated and accumulated four or five times, is perfectly just with regard to taxes upon the necessaries of life. In the price of leather, for example, you must pay not only for the tax upon the leather of your own shoes, but for a part of that upon those of the shoemaker and the tanner. You must pay, too, for the tax upon the salt, upon the soap, and upon the candles which those workmen consume while employed in your service; and for the tax upon the leather, which the saltmaker, the soap-maker, and the candle-maker consume, while employed in their service.

In Great Britain, the principal taxes upon the necessaries of life, are those upon the four commodities just now mentioned, salt, leather, soap, and candles.

Salt is a very ancient and a very universal subject of taxation. It was taxed among the Romans, and it is so at present in, I believe, every part of Europe. The quantity annually consumed by any individual is so small, and may be purchased so gradually, that nobody, it seems to have been thought, could feel very sensibly even a pretty heavy tax upon it. It is in England taxed at three shillings and fourpence a bushel; about three times the original price of the commodity. In some other countries, the tax is still higher. Leather is a real necessary of life. The use of linen renders soap such. In countries where the winter nights are long, candles are a necessary instrument of trade. Leather and soap are in Great Britain taxed at three halfpence a-pound; candles at a penny; taxes which, upon the original price of leather, may amount to about eight or ten per cent.; upon that of soap, to about twenty or five-and-twenty per cent.; and upon that of candles to about fourteen or fifteen per cent.; taxes which, though lighter than that upon salt, are still very heavy. As all those four commodities are real necessaries of life, such heavy taxes upon them must increase somewhat the expense of the sober and industrious poor, and must consequently raise more or less the wages of their labour.

In a country where the winters are so cold as in Great Britain, fuel is, during that season, in the strictest sense of the word, a necessary of life, not only for the purpose of dressing victuals, but

for the comfortable subsistence of many different sorts of workmen who work within doors; and coals are the cheapest of all fuel. The price of fuel has so important an influence upon that of labour, that all over Great Britain, manufactures have confined themselves principally to the coal counties; other parts of the country, on account of the high price of this necessary article, not being able to work so cheap. In some manufactures, besides, coal is a necessary instrument of trade; as in those of glass, iron, and all other metals. If a bounty could in any case be reasonable, it might perhaps be so upon the transportation of coals from those parts of the country in which they abound, to those in which they are wanted. But the legislature, instead of a bounty, has imposed a tax of three shillings and threepence a-ton upon coals carried coastways; which, upon most sorts of coal, is more than sixty per cent. of the original price at the coal pit. Coals carried, either by land or by inland navigation, pay no duty. Where they are naturally cheap, they are consumed duty free; where they are naturally dear, they are loaded with a heavy duty.

Such taxes, though they raise the price of subsistence, and consequently the wages of labour, yet they afford a considerable revenue to government, which it might not be easy to find in any other way. There may, therefore, be good reasons for continuing them. The bounty upon the exportation of corn, so far as it tends,

in the actual state of tillage, to raise the price of that necessary article, produces all the like bad effects; and instead of affording any revenue, frequently occasions a very great expense to government. The high duties upon the importation of foreign corn, which, in years of moderate plenty, amount to a prohibition; and the absolute prohibition of the importation, either of live cattle, or of salt provisions, which takes place in the ordinary state of the law, and which, on account of the scarcity, is at present suspended for a limited time with regard to Ireland and the British plantations, have all had the bad effects of taxes upon the necessaries of life, and produce no revenue to government. Nothing seems necessary for the repeal of such regulations, but to convince the public of the futility of that system in consequence of which they have been established.

Taxes upon the necessaries of life are much higher in many other countries than in Great Britain. Duties upon flour and meal when ground at the mill, and upon bread when baked at the oven, take place in many countries. In Holland the money-price of the bread consumed in towns is supposed to be doubled by means of such taxes. In lieu of a part of them, the people who live in the country, pay every year so much a-head, according to the sort of bread they are supposed to consume. Those who consume wheaten bread pay three guilders fifteen stivers; about six shillings and ninepence

halfpenny. Those, and some other taxes of the same kind, by raising the price of labour, are said to have ruined the greater part of the manufactures of Holland {Memoires concernant les Droits, etc. p. 210, 211.}. Similar taxes, though not quite so heavy, take place in the Milanese, in the states of Genoa, in the duchy of Modena, in the duchies of Parma, Placentia, and Guastalla, and the Ecclesiastical state. A French author {Le Reformateur} of some note, has proposed to reform the finances of his country, by substituting in the room of the greater part of other taxes, this most ruinous of all taxes. There is nothing so absurd, says Cicero, which has not sometimes been asserted by some philosophers.

Taxes upon butcher's meat are still more common than those upon bread. It may indeed be doubted, whether butcher's meat is any where a necessary of life. Grain and other vegetables, with the help of milk, cheese, and butter, or oil, where butter is not to be had, it is known from experience, can, without any butcher's meat, afford the most plentiful, the most wholesome, the most nourishing, and the most invigorating diet. Decency nowhere requires that any man should eat butcher's meat, as it in most places requires that he should wear a linen shirt or a pair of leather shoes.

Consumable commodities, whether necessaries or luxuries, may be taxed in two different ways. The consumer may either pay an annual sum on account of his using or consuming goods of a

certain kind; or the goods may be taxed while they remain in the hands of the dealer, and before they are delivered to the consumer. The consumable goods which last a considerable time before they are consumed altogether, are most properly taxed in the one way; those of which the consumption is either immediate or more speedy, in the other. The coach-tax and plate tax are examples of the former method of imposing; the greater part of the other duties of excise and customs, of the latter.

A coach may, with good management, last ten or twelve years. It might be taxed, once for all, before it comes out of the hands of the coach-maker. But it is certainly more convenient for the buyer to pay four pounds a-year for the privilege of keeping a coach, than to pay all at once forty or forty-eight pounds additional price to the coach-maker; or a sum equivalent to what the tax is likely to cost him during the time he uses the same coach. A service of plate in the same manner, may last more than a century. It is certainly-easier for the consumer to pay five shillings a-year for every hundred ounces of plate, near one per cent. of the value, than to redeem this long annuity at five-and-twenty or thirty years purchase, which would enhance the price at least five-and-twenty or thirty per cent. The different taxes which affect houses, are certainly more conveniently paid by moderate annual payments, than by a heavy tax of equal value upon the first building or sale of the house.

It was the well-known proposal of Sir Matthew Decker, that all commodities, even those of which the consumption is either immediate or speedy, should be taxed in this manner; the dealer advancing nothing, but the consumer paying a certain annual sum for the licence to consume certain goods. The object of his scheme was to promote all the different branches of foreign trade, particularly the carrying trade, by taking away all duties upon importation and exportation, and thereby enabling the merchant to employ his whole capital and credit in the purchase of goods and the freight of ships, no part of either being diverted towards the advancing of taxes, The project, however, of taxing, in this manner, goods of immediate or speedy consumption, seems liable to the four following very important objections. First, the tax would be more unequal, or not so well proportioned to the expense and consumption of the different contributors, as in the way in which it is commonly imposed. The taxes upon ale, wine, and spiritous liquors, which are advanced by the dealers, are finally paid by the different consumers, exactly in proportion to their respective consumption. But if the tax were to be paid by purchasing a licence to drink those liquors, the sober would, in proportion to his consumption, be taxed much more heavily than the drunken consumer. A family which exercised great hospitality, would be taxed much more lightly than one who entertained fewer guests. Sec-

ondly, this mode of taxation, by paying for an annual, half-yearly, or quarterly licence to consume certain goods, would diminish very much one of the principal conveniences of taxes upon goods of speedy consumption; the piece-meal payment. In the price of threepence halfpenny, which is at present paid for a pot of porter, the different taxes upon malt, hops, and beer, together with the extraordinary profit which the brewer charges for having advanced than, may perhaps amount to about three halfpence. If a workman can conveniently spare those three halfpence, he buys a pot of porter. If he cannot, he contents himself with a pint; and, as a penny saved is a penny got, he thus gains a farthing by his temperance. He pays the tax piece-meal, as he can afford to pay it, and when he can afford to pay it, and every act of payment is perfectly voluntary, and what he can avoid if he chuses to do so. Thirdly, such taxes would operate less as sumptuary laws. When the licence was once purchased, whether the purchaser drunk much or drunk little, his tax would be the same. Fourthly, if a workman were to pay all at once, by yearly, half-yearly, or quarterly payments, a tax equal to what he at present pays, with little or no inconveniency, upon all the different pots and pints of porter which he drinks in any such period of time, the sum might frequently distress him very much. This mode of taxation, therefore, it seems evident, could never, without the most grievous oppression, pro-

duce a revenue nearly equal to what is derived from the present mode without any oppression. In several countries, however, commodities of an immediate or very speedy consumption are taxed in this manner. In Holland, people pay so much a-head for a licence to drink tea. I have already mentioned a tax upon bread, which, so far as it is consumed in farm houses and country villages, is there levied in the same manner.

The duties of excise are imposed chiefly upon goods of home produce, destined for home consumption. They are imposed only upon a few sorts of goods of the most general use. There can never be any doubt, either concerning the goods which are subject to those duties, or concerning the particular duty which each species of goods is subject to. They fall almost altogether upon what I call luxuries, excepting always the four duties above mentioned, upon salt, soap, leather, candles, and perhaps that upon green glass.

The duties of customs are much more ancient than those of excise. They seem to have been called customs, as denoting customary payments, which had been in use for time immemorial. They appear to have been originally considered as taxes upon the profits of merchants. During the barbarous times of feudal anarchy, merchants, like all the other inhabitants of burghs, were considered as little better than emancipated bondmen, whose persons were despised, and whose gains were envied. The great nobility,

who had consented that the king should tallage the profits of their own tenants, were not unwilling that he should tallage likewise those of an order of men whom it was much less their interest to protect. In those ignorant times, it was not understood, that the profits of merchants are a subject not taxable directly; or that the final payment of all such taxes must fall, with a considerable overcharge, upon the consumers.

The gains of alien merchants were looked upon more unfavourably than those of English merchants. It was natural, therefore, that those of the former should be taxed more heavily than those of the latter. This distinction between the duties upon aliens and those upon English merchants, which was begun from ignorance, has been continued from the spirit of monopoly, or in order to give our own merchants an advantage, both in the home and in the foreign market.

With this distinction, the ancient duties of customs were imposed equally upon all sorts of goods, necessaries as well as luxuries, goods exported as well as goods imported. Why should the dealers in one sort of goods, it seems to have been thought, be more favoured than those in another? or why should the merchant exporter be more favoured than the merchant importer?

The ancient customs were divided into three branches. The first, and, perhaps, the most ancient of all those duties, was that upon

wool and leather. It seems to have been chiefly or altogether an exportation duty. When the woollen manufacture came to be established in England, lest the king should lose any part of his customs upon wool by the exportation of woollen cloths, a like duty was imposed upon them. The other two branches were, first, a duty upon wine, which being imposed at so much a-ton, was called a tonnage; and, secondly, a duty upon all other goods, which being imposed at so much a-pound of their supposed value, was called a poundage. In the forty-seventh year of Edward III., a duty of sixpence in the pound was imposed upon all goods exported and imported, except wools, wool-felts, leather, and wines which were subject to particular duties. In the fourteenth of Richard II., this duty was raised to one shilling in the pound; but, three years afterwards, it was again reduced to sixpence. It was raised to eightpence in the second year of Henry IV.; and, in the fourth of the same prince, to one shilling. From this time to the ninth year of William III., this duty continued at one shilling in the pound. The duties of tonnage and poundage were generally granted to the king by one and the same act of parliament, and were called the subsidy of tonnage and poundage. The subsidy of poundage having continued for so long a time at one shilling in the pound, or at five per cent., a subsidy came, in the language of the customs, to denote a general duty of this kind of five per cent. This



subsidy, which is now called the old subsidy, still continues to be levied, according to the book of rates established by the twelfth of Charles II. The method of ascertaining, by a book of rates, the value of goods subject to this duty, is said to be older than the time of James I. The new subsidy, imposed by the ninth and tenth of William III., was an additional five per cent. upon the greater part of goods. The one-third and the two-third subsidy made up between them another five per cent. of which they were proportionable parts. The subsidy of 1747 made a fourth five per cent. upon the greater part of goods; and that of 1759, a fifth upon some particular sorts of goods. Besides those five subsidies, a great variety of other duties have occasionally been imposed upon particular sorts of goods, in order sometimes to relieve the exigencies of the state, and sometimes to regulate the trade of the country, according to the principles of the mercantile system.

That system has come gradually more and more into fashion. The old subsidy was imposed indifferently upon exportation, as well as importation. The four subsequent subsidies, as well as the other duties which have since been occasionally imposed upon particular sorts of goods, have, with a few exceptions, been laid altogether upon importation. The greater part of the ancient duties which had been imposed upon the exportation of the goods of home produce and manufacture, have either been lightened or

taken away altogether. In most cases, they have been taken away. Bounties have even been given upon the exportation of some of them. Drawbacks, too, sometimes of the whole, and, in most cases, of a part of the duties which are paid upon the importation of foreign goods, have been granted upon their exportation. Only half the duties imposed by the old subsidy upon importation, are drawn back upon exportation; but the whole of those imposed by the latter subsidies and other imposts are, upon the greater parts of the goods, drawn back in the same manner. This growing favour of exportation, and discouragement of importation, have suffered only a few exceptions, which chiefly concern the materials of some manufactures. These our merchants and manufacturers are willing should come as cheap as possible to themselves, and as dear as possible to their rivals and competitors in other countries. Foreign materials are, upon this account, sometimes allowed to be imported duty-free; spanish wool, for example, flax, and raw linen yarn. The exportation of the materials of home produce, and of those which are the particular produce of our colonies, has sometimes been prohibited, and sometimes subjected to higher duties. The exportation of English wool has been prohibited. That of beaver skins, of beaver wool, and of gum-senega, has been subjected to higher duties; Great Britain, by the conquests of Canada and Senegal, having got almost the monopoly of those commodities.

That the mercantile system has not been very favourable to the revenue of the great body of the people, to the annual produce of the land and labour of the country, I have endeavoured to show in the fourth book of this Inquiry. It seems not to have been more favourable to the revenue of the sovereign; so far, at least, as that revenue depends upon the duties of customs.

In consequence of that system, the importation of several sorts of goods has been prohibited altogether. This prohibition has, in some cases, entirely prevented, and in others has very much diminished, the importation of those commodities, by reducing the importers to the necessity of smuggling. It has entirely prevented the importation of foreign wollens; and it has very much diminished that of foreign silks and velvets, In both cases, it has entirely annihilated the revenue of customs which might have been levied upon such importation.

The high duties which have been imposed upon the importation of many different sorts of foreign goods in order to discourage their consumption in Great Britain, have, in many cases, served only to encourage smuggling, and, in all cases, have reduced the revenues of the customs below what more moderate duties would have afforded. The saying of Dr. Swift, that in the arithmetic of the customs, two and two, instead of making four, make sometimes only one, holds perfectly true with regard to such heavy

duties, which never could have been imposed, had not the mercantile system taught us, in many cases, to employ taxation as an instrument, not of revenue, but of monopoly.

The bounties which are sometimes given upon the exportation of home produce and manufactures, and the drawbacks which are paid upon the re-exportation of the greater part of foreign goods, have given occasion to many frauds, and to a species of smuggling, more destructive of the public revenue than any other. In order to obtain the bounty or drawback, the goods, it is well known, are sometimes shipped, and sent to sea, but soon afterwards clandestinely re-landed in some other part of the country. The defalcation of the revenue of customs occasioned by bounties and drawbacks, of which a great part are obtained fraudulently, is very great. The gross produce of the customs, in the year which ended on the 5th of January 1755, amounted to £5,068,000. The bounties which were paid out of this revenue, though in that year there was no bounty upon corn, amounted to £167,806. The drawbacks which were paid upon debentures and certificates, to £2,156,800. Bounties and drawbacks together amounted to £2,324,600. In consequence of these deductions, the revenue of the customs amounted only to £2,743,400; from which deducting £287,900 for the expense of management, in salaries and other incidents, the neat revenue of the customs for that year comes out to be £2,455,500.

The expense of management, amounts, in this manner, to between five and six per cent. upon the gross revenue of the customs; and to something more than ten per cent. upon what remains of that revenue, after deducting what is paid away in bounties and drawbacks.

Heavy duties being imposed upon almost all goods imported, our merchant importers smuggle as much, and make entry of as little as they can. Our merchant exporters, on the contrary, make entry of more than they export; sometimes out of vanity, and to pass for great dealers in goods which pay no duty gain a bounty back. Our exports, in consequence of these different frauds, appear upon the custom-house books greatly to overbalance our imports, to the unspeakable comfort of those politicians, who measure the national prosperity by what they call the balance of trade.

All goods imported, unless particularly exempted, and such exemptions are not very numerous, are liable to some duties of customs. If any goods are imported, not mentioned in the book of rates, they are taxed at 4s:9¾d. for every twenty shillings value, according to the oath of the importer, that is, nearly at five subsidies, or five poundage duties. The book of rates is extremely comprehensive, and enumerates a great variety of articles, many of them little used, and, therefore, not well known. It is, upon this account, frequently uncertain under what article a particular sort

of goods ought to be classed, and, consequently what duty they ought to pay. Mistakes with regard to this sometimes ruin the custom-house officer, and frequently occasion much trouble, expense, and vexation to the importer. In point of perspicuity, precision, and distinctness, therefore, the duties of customs are much inferior to those of excise.

In order that the greater part of the members of any society should contribute to the public revenue, in proportion to their respective expense, it does not seem necessary that every single article of that expense should be taxed. The revenue which is levied by the duties of excise is supposed to fall as equally upon the contributors as that which is levied by the duties of customs; and the duties of excise are imposed upon a few articles only of the most general used and consumption. It has been the opinion of many people, that, by proper management, the duties of customs might likewise, without any loss to the public revenue, and with great advantage to foreign trade, be confined to a few articles only.

The foreign articles, of the most general use and consumption in Great Britain, seem at present to consist chiefly in foreign wines and brandies; in some of the productions of America and the West Indies, sugar, rum, tobacco, cocoa-nuts, etc. and in some of those of the East Indies, tea, coffee, china-ware, spiceries of all kinds, several sorts of piece-goods, etc. These different articles afford, the

greater part of the perhaps, at present, revenue which is drawn from the duties of customs. The taxes which at present subsist upon foreign manufactures, if you except those upon the few contained in the foregoing enumeration, have, the greater part of them, been imposed for the purpose, not of revenue, but of monopoly, or to give our own merchants an advantage in the home market. By removing all prohibitions, and by subjecting all foreign manufactures to such moderate taxes, as it was found from experience, afforded upon each article the greatest revenue to the public, our own workmen might still have a considerable advantage in the home market; and many articles, some of which at present afford no revenue to government, and others a very inconsiderable one, might afford a very great one.

High taxes, sometimes by diminishing the consumption of the taxed commodities, and sometimes by encouraging smuggling frequently afford a smaller revenue to government than what might be drawn from more moderate taxes.

When the diminution of revenue is the effect of the diminution of consumption, there can be but one remedy, and that is the lowering of the tax.

When the diminution of revenue is the effect of the encouragement given to smuggling, it may, perhaps, be remedied in two ways; either by diminishing the temptation to smuggle, or by in-

creasing the difficulty of smuggling. The temptation to smuggle can be diminished only by the lowering of the tax; and the difficulty of smuggling can be increased only by establishing that system of administration which is most proper for preventing it.

The excise laws, it appears, I believe, from experience, obstruct and embarrass the operations of the smuggler much more effectually than those of the customs. By introducing into the customs a system of administration as similar to that of the excise as the nature of the different duties will admit, the difficulty of smuggling might be very much increased. This alteration, it has been supposed by many people, might very easily be brought about.

The importer of commodities liable to any duties of customs, it has been said, might, at his option, be allowed either to carry them to his own private warehouse; or to lodge them in a warehouse, provided either at his own expense or at that of the public, but under the key of the custom-house officer, and never to be opened but in his presence. If the merchant carried them to his own private warehouse, the duties to be immediately paid, and never afterwards to be drawn back; and that warehouse to be at all times subject to the visit and examination of the custom-house officer, in order to ascertain how far the quantity contained in it corresponded with that for which the duty had been paid. If he carried them to the public warehouse, no duty to be paid till they

were taken out for home consumption. If taken out for exportation, to be duty-free; proper security being always given that they should be so exported. The dealers in those particular commodities, either by wholesale or retail, to be at all times subject to the visit and examination of the custom-house officer; and to be obliged to justify, by proper certificates, the payment of the duty upon the whole quantity contained in their shops or warehouses. What are called the excise duties upon rum imported, are at present levied in this manner; and the same system of administration might, perhaps, be extended to all duties upon goods imported; provided always that those duties were, like the duties of excise, confined to a few sorts of goods of the most general use and consumption. If they were extended to almost all sorts of goods, as at present, public warehouses of sufficient extent could not easily be provided; and goods of a very delicate nature, or of which the preservation required much care and attention, could not safely be trusted by the merchant in any warehouse but his own.

If, by such a system of administration, smuggling to any considerable extent could be prevented, even under pretty high duties; and if every duty was occasionally either heightened or lowered according as it was most likely, either the one way or the other, to afford the greatest revenue to the state; taxation being always employed as an instrument of revenue, and never of mo-

nopoly; it seems not improbable that a revenue, at least equal to the present neat revenue of the customs, might be drawn from duties upon the importation of only a few sorts of goods of the most general use and consumption; and that the duties of customs might thus be brought to the same degree of simplicity, certainty, and precision, as those of excise. What the revenue at present loses by drawbacks upon the re-exportation of foreign goods, which are afterwards re-landed and consumed at home, would, under this system, be saved altogether. If to this saving, which would alone be very considerable, were added the abolition of all bounties upon the exportation of home produce; in all cases in which those bounties were not in reality drawbacks of some duties of excise which had before been advanced; it cannot well be doubted, but that the neat revenue of customs might, after an alteration of this kind, be fully equal to what it had ever been before.

If, by such a change of system, the public revenue suffered no loss, the trade and manufactures of the country would certainly gain a very considerable advantage. The trade in the commodities not taxed, by far the greatest number would be perfectly free, and might be carried on to and from all parts of the world with every possible advantage. Among those commodities would be comprehended all the necessaries of life, and all the materials of manufacture. So far as the free importation of the necessaries of life re-

duced their average money price in the home market, it would reduce the money price of labour, but without reducing in any respect its real recompence. The value of money is in proportion to the quantity of the necessaries of life which it will purchase. That of the necessaries of life is altogether independent of the quantity of money which can be had for them. The reduction in the money price of labour would necessarily be attended with a proportionable one in that of all home manufactures, which would thereby gain some advantage in all foreign markets. The price of some manufactures would be reduced, in a still greater proportion, by the free importation of the raw materials. If raw silk could be imported from China and Indostan, duty-free, the silk manufacturers in England could greatly undersell those of both France and Italy. There would be no occasion to prohibit the importation of foreign silks and velvets. The cheapness of their goods would secure to our own workmen, not only the possession of a home, but a very great command of the foreign market. Even the trade in the commodities taxed, would be carried on with much more advantage than at present. If those commodities were delivered out of the public warehouse for foreign exportation, being in this case exempted from all taxes, the trade in them would be perfectly free. The carrying trade, in all sorts of goods, would, under this system, enjoy every possible advantage. If these commodities were delivered out

for home consumption, the importer not being obliged to advance the tax till he had an opportunity of selling his goods, either to some dealer, or to some consumer, he could always afford to sell them cheaper than if he had been obliged to advance it at the moment of importation. Under the same taxes, the foreign trade of consumption, even in the taxed commodities, might in this manner be carried on with much more advantage than it is at present.

It was the object of the famous excise scheme of Sir Robert Walpole, to establish, with regard to wine and tobacco, a system not very unlike that which is here proposed. But though the bill which was then brought into Parliament, comprehended those two commodities only, it was generally supposed to be meant as an introduction to a more extensive scheme of the same kind. Faction, combined with the interest of smuggling merchants, raised so violent, though so unjust a clamour, against that bill, that the minister thought proper to drop it; and, from a dread of exciting a clamour of the same kind, none of his successors have dared to resume the project.

The duties upon foreign luxuries, imported for home consumption, though they sometimes fall upon the poor, fall principally upon people of middling or more than middling fortune. Such are, for example, the duties upon foreign wines, upon coffee, chocolate, tea, sugar, etc.

The duties upon the cheaper luxuries of home produce, destined for home consumption, fall pretty equally upon people of all ranks, in proportion to their respective expense. The poor pay the duties upon malt, hops, beer, and ale, upon their own consumption; the rich, upon both their own consumption and that of their servants.

The whole consumption of the inferior ranks of people, or of those below the middling rank, it must be observed, is, in every country, much greater, not only in quantity, but in value, than that of the middling, and of those above the middling rank. The whole expense of the inferior is much greater than that of the superior ranks. In the first place, almost the whole capital of every country is annually distributed among the inferior ranks of people, as the wages of productive labour. Secondly, a great part of the revenue, arising from both the rent of land and the profits of stock, is annually distributed among the same rank, in the wages and maintenance of menial servants, and other unproductive labourers. Thirdly, some part of the profits of stock belongs to the same rank, as a revenue arising from the employment of their small capitals. The amount of the profits annually made by small shopkeepers, tradesmen, and retailers of all kinds, is everywhere very considerable, and makes a very considerable portion of the annual produce. Fourthly and lastly, some part even of the rent of land

belongs to the same rank; a considerable part to those who are somewhat below the middling rank, and a small part even to the lowest rank; common labourers sometimes possessing in property an acre or two of land. Though the expense of those inferior ranks of people, therefore, taking them individually, is very small, yet the whole mass of it, taking them collectively, amounts always to by much the largest portion of the whole expense of the society; what remains of the annual produce of the land and labour of the country, for the consumption of the superior ranks, being always much less, not only in quantity, but in value. The taxes upon expense, therefore, which fall chiefly upon that of the superior ranks of people, upon the smaller portion of the annual produce, are likely to be much less productive than either those which fall indifferently upon the expense of all ranks, or even those which fall chiefly upon that of the inferior ranks, than either those which fall indifferently upon the whole annual produce, or those which fall chiefly upon the larger portion of it. The excise upon the materials and manufacture of home-made fermented and spirituous liquors, is, accordingly, of all the different taxes upon expense, by far the most productive; and this branch of the excise falls very much, perhaps principally, upon the expense of the common people. In the year which ended on the 5th of July 1775, the gross produce of this branch of the excise amounted to £3,341,837:9:9.

It must always be remembered, however, that it is the luxuries, and not the necessary expense of the inferior ranks of people, that ought ever to be taxed. The final payment of any tax upon their necessary expense, would fall altogether upon the superior ranks of people; upon the smaller portion of the annual produce, and not upon the greater. Such a tax must, in all cases, either raise the wages of labour, or lessen the demand for it. It could not raise the wages of labour, without throwing the final payment of the tax upon the superior ranks of people. It could not lessen the demand for labour, without lessening the annual produce of the land and labour of the country, the fund upon which all taxes must be finally paid. Whatever might be the state to which a tax of this kind reduced the demand for labour, it must always raise wages higher than they otherwise would be in that state; and the final payment of this enhancement of wages must, in all cases, fall upon the superior ranks of people.

Fermented liquors brewed, and spiritous liquors distilled, not for sale, but for private use, are not in Great Britain liable to any duties of excise. This exemption, of which the object is to save private families from the odious visit and examination of the tax-gatherer, occasions the burden of those duties to fall frequently much lighter upon the rich than upon the poor. It is not, indeed, very common to distil for private use, though it is done some-

times. But in the country, many middling and almost all rich and great families, brew their own beer. Their strong beer, therefore, costs them eight shillings a-barrel less than it costs the common brewer, who must have his profit upon the tax, as well as upon all the other expense which he advances. Such families, therefore, must drink their beer at least nine or ten shillings a-barrel cheaper than any liquor of the same quality can be drank by the common people, to whom it is everywhere more convenient to buy their beer, by little and little, from the brewery or the ale-house. Malt, in the same manner, that is made for the use of a private family, is not liable to the visit or examination of the tax-gatherer but, in this case the family must compound at seven shillings and sixpence a-head for the tax. Seven shillings and sixpence are equal to the excise upon ten bushels of malt; a quantity fully equal to what all the different members of any sober family, men, women, and children, are, at an average, likely to consume. But in rich and great families, where country hospitality is much practised, the malt liquors consumed by the members of the family make but a small part of the consumption of the house. Either on account of this composition, however, or for other reasons, it is not near so common to malt as to brew for private use. It is difficult to imagine any equitable reason, why those who either brew or distil for private use should not be subject to a composition of the same kind.



## The Wealth of Nations

A greater revenue than what is at present drawn from all the heavy taxes upon malt, beer, and ale, might be raised, it has frequently been said, by a much lighter tax upon malt; the opportunities of defrauding the revenue being much greater in a brewery than in a malt-house; and those who brew for private use being exempted from all duties or composition for duties, which is not the case with those who malt for private use.

In the porter brewery of London, a quarter of malt is commonly brewed into more than two barrels and a-half, sometimes into three barrels of porter. The different taxes upon malt amount to six shillings a-quarter; those upon strong ale and beer to eight shillings a-barrel. In the porter brewery, therefore, the different taxes upon malt, beer, and ale, amount to between twenty-six and thirty shillings upon the produce of a quarter of malt. In the country brewery for common country sale, a quarter of malt is seldom brewed into less than two barrels of strong, and one barrel of small beer; frequently into two barrels and a-half of strong beer. The different taxes upon small beer amount to one shilling and fourpence a-barrel. In the country brewery, therefore, the different taxes upon malt, beer, and ale, seldom amount to less than twenty-three shillings and fourpence, frequently to twenty-six shillings, upon the produce of a quarter of malt. Taking the whole kingdom at an average, therefore, the whole amount of the duties

upon malt, beer, and ale, cannot be estimated at less than twenty-four or twenty-five shillings upon the produce of a quarter of malt. But by taking off all the different duties upon beer and ale, and by trebling the malt tax, or by raising it from six to eighteen shilling's upon the quarter of malt, a greater revenue, it is said, might be raised by this single tax, than what is at present drawn from all those heavier taxes.

In 1772, the old malt tax produced.....	£722,023: 11: 11
The additional.....	£356,776: 7: 9¾
In 1775, the old tax produced.....	£561,627: 3: 7½
The additional.....	£278,650: 15: 3¾
In 1774, the old tax produced .....	£624,614: 17: 5¾
The additional.....	£310,745: 2: 8½
In 1775, the old tax produced .....	£657,357: 0: 8¼
The additional.....	£323,785: 12: 6¼
	£5,855,580: 12: 0¾
Average of these four years .....	£958,895: 3: 0
In 1772, the country excise produced.....	£1,243,120: 5: 3
The London brewery	408,260: 7: 2¾
In 1773, the country excise.....	£1,245,808: 3: 3
The London brewery	405,406: 17: 10½

In 1774, the country excise.....	£1,246,373:	14:	5½
The London brewery	320,601:	18:	0¼
In 1775, the country excise.....	£1,214,583:	6:	1¼
The London brewery	463,670:	7:	0¼
4)	£6,547,832:	19:	2¼
Average of these four years .....	£1,636,958:	4:	9½
To which adding the average malt tax..	958,895:	3:	0¼

The whole amount of those different taxes comes out to be.....£2,595,835: 7: 10

But, by trebling the malt tax, or by raising it from six to eighteen shillings upon the quarter of malt, that single tax would produce.....£2,876,685: 9: 0  
 A sum which exceeds the foregoing by.... 280,832: 1: 3

Under the old malt tax, indeed, is comprehended a tax of four shillings upon the hogshead of cyder, and another of ten shillings upon the barrel of mum. In 1774, the tax upon cyder produced only £3,083:6:8. It probably fell somewhat short of its usual amount; all the different taxes upon cyder, having, that year, produced less than ordinary. The tax upon mum, though much heavier, is still less productive, on account of the smaller consumption of

that liquor. But to balance whatever may be the ordinary amount of those two taxes, there is comprehended under what is called the country excise, first, the old excise of six shillings and eightpence upon the hogshead of cyder; secondly, a like tax of six shillings and eightpence upon the hogshead of verjuice; thirdly, another of eight shillings and ninepence upon the hogshead of vinegar; and, lastly, a fourth tax of elevenpence upon the gallon of mead or metheglin. The produce of those different taxes will probably much more than counterbalance that of the duties imposed, by what is called the annual malt tax, upon cyder and mum.

Malt is consumed, not only in the brewery of beer and ale, but in the manufacture of low wines and spirits. If the malt tax were to be raised to eighteen shillings upon the quarter, it might be necessary to make some abatement in the different excises which are imposed upon those particular sorts of low wines and spirits, of which malt makes any part of the materials. In what are called malt spirits, it makes commonly but a third part of the materials; the other two-thirds being either raw barley, or one-third barley and one-third wheat. In the distillery of malt spirits, both the opportunity and the temptation to smuggle are much greater than either in a brewery or in a malt-house; the opportunity, on account of the smaller bulk and greater value of the commodity, and the temptation, on account of the superior height of the duties,

which amounted to 3s. 10 2/3d. upon the gallon of spirits. {Though the duties directly imposed upon proof spirits amount only to 2s. 6d per gallon, these, added to the duties upon the low wines, from which they are distilled, amount to 3s 10 2/3d. Both low wines and proof spirits are, to prevent frauds, now rated according to what they gauge in the wash.}

By increasing the duties upon malt, and reducing those upon the distillery, both the opportunities and the temptation to smuggle would be diminished, which might occasion a still further augmentation of revenue.

It has for some time past been the policy of Great Britain to discourage the consumption of spiritous liquors, on account of their supposed tendency to ruin the health and to corrupt the morals of the common people. According to this policy, the abatement of the taxes upon the distillery ought not to be so great as to reduce, in any respect, the price of those liquors. Spiritous liquors might remain as dear as ever; while, at the same time, the wholesome and invigorating liquors of beer and ale might be considerably reduced in their price. The people might thus be in part relieved from one of the burdens of which they at present complain the most; while, at the same time, the revenue might be considerably augmented.

The objections of Dr. Davenant to this alteration in the present

system of excise duties, seem to be without foundation. Those objections are, that the tax, instead of dividing itself, as at present, pretty equally upon the profit of the maltster, upon that of the brewer and upon that of the retailer, would so far as it affected profit, fall altogether upon that of the maltster; that the maltster could not so easily get back the amount of the tax in the advanced price of his malt, as the brewer and retailer in the advanced price of their liquor; and that so heavy a tax upon malt might reduce the rent and profit of barley land.

No tax can ever reduce, for any considerable time, the rate of profit in any particular trade, which must always keep its level with other trades in the neighbourhood. The present duties upon malt, beer, and ale, do not affect the profits of the dealers in those commodities, who all get back the tax with an additional profit, in the enhanced price of their goods. A tax, indeed, may render the goods upon which it is imposed so dear, as to diminish the consumption of them. But the consumption of malt is in malt liquors; and a tax of eighteen shillings upon the quarter of malt could not well render those liquors dearer than the different taxes, amounting to twenty-four or twenty-five shillings, do at present. Those liquors, on the contrary, would probably become cheaper, and the consumption of them would be more likely to increase than to diminish.

It is not very easy to understand why it should be more difficult for the maltster to get back eighteen shillings in the advanced price of his malt, than it is at present for the brewer to get back twenty-four or twenty-five, sometimes thirty shillings, in that of his liquor. The maltster, indeed, instead of a tax of six shillings, would be obliged to advance one of eighteen shilling upon every quarter of malt. But the brewer is at present obliged to advance a tax of twenty-four or twentyfive, sometimes thirty shillings, upon every quarter of malt which he brews. It could not be more inconvenient for the maltster to advance a lighter tax, than it is at present for the brewer to advance a heavier one. The maltster does not always keep in his granaries a stock of malt, which it will require a longer time to dispose of than the stock of beer and ale which the brewer frequently keeps in his cellars. The former, therefore, may frequently get the returns of his money as soon as the latter. But whatever inconveniency might arise to the maltster from being obliged to advance a heavier tax, it could easily be remedied, by granting him a few months longer credit than is at present commonly given to the brewer.

Nothing could reduce the rent and profit of barley land, which did not reduce the demand for barley. But a change of system, which reduced the duties upon a quarter of malt brewed into beer and ale, from twentyfour and twenty-five shillings to eighteen shil-

lings, would be more likely to increase than diminish that demand. The rent and profit of barley land, besides, must always be nearly equal to those of other equally fertile and equally well cultivated land. If they were less, some part of the barley land would soon be turned to some other purpose; and if they were greater, more land would soon be turned to the raising of barley. When the ordinary price of any particular produce of land is at what may be called a monopoly price, a tax upon it necessarily reduces the rent and profit of the land which grows it. A tax upon the produce of those precious vineyards, of which the wine falls so much short of the effectual demand, that its price is always above the natural proportion to that of the produce of other equally fertile and equally well cultivated land, would necessarily reduce the rent and profit of those vineyards. The price of the wines being already the highest that could be got for the quantity commonly sent to market, it could not be raised higher without diminishing that quantity; and the quantity could not be diminished without still greater loss, because the lands could not be turned to any other equally valuable produce. The whole weight of the tax, therefore, would fall upon the rent and profit; properly upon the rent of the vineyard. When it has been proposed to lay any new tax upon sugar, our sugar planters have frequently complained that the whole weight of such taxes fell not upon the con-

sumer, but upon the producer; they never having been able to raise the price of their sugar after the tax higher than it was before. The price had, it seems, before the tax, been a monopoly price; and the arguments adduced to show that sugar was an improper subject of taxation, demonstrated perhaps that it was a proper one; the gains of monopolists, whenever they can be come at, being certainly of all subjects the most proper. But the ordinary price of barley has never been a monopoly price; and the rent and profit of barley land have never been above their natural proportion to those of other equally fertile and equally well cultivated land. The different taxes which have been imposed upon malt, beer, and ale, have never lowered the price of barley; have never reduced the rent and profit of barley land. The price of malt to the brewer has constantly risen in proportion to the taxes imposed upon it; and those taxes, together with the different duties upon beer and ale, have constantly either raised the price, or, what comes to the same thing, reduced the quality of those commodities to the consumer. The final payment of those taxes has fallen constantly upon the consumer, and not upon the producer.

The only people likely to suffer by the change of system here proposed, are those who brew for their own private use. But the exemption, which this superior rank of people at present enjoy, from very heavy taxes which are paid by the poor labourer and

artificer, is surely most unjust and unequal, and ought to be taken away, even though this change was never to take place. It has probably been the interest of this superior order of people, however, which has hitherto prevented a change of system that could not well fail both to increase the revenue and to relieve the people.

Besides such duties as those of custom and excise above mentioned, there are several others which affect the price of goods more unequally and more indirectly. Of this kind are the duties, which, in French, are called peages, which in old Saxon times were called the duties of passage, and which seem to have been originally established for the same purpose as our turnpike tolls, or the tolls upon our canals and navigable rivers, for the maintenance of the road or of the navigation. Those duties, when applied to such purposes, are most properly imposed according to the bulk or weight of the goods. As they were originally local and provincial duties, applicable to local and provincial purposes, the administration of them was, in most cases, entrusted to the particular town, parish, or lordship, in which they were levied; such communities being, in some way or other, supposed to be accountable for the application. The sovereign, who is altogether unaccountable, has in many countries assumed to himself the administration of those duties; and though he has in most cases enhanced very much the duty, he has in many entirely neglected the applica-

tion. If the turnpike tolls of Great Britain should ever become one of the resources of government, we may learn, by the example of many other nations, what would probably be the consequence. Such tolls, no doubt, are finally paid by the consumer; but the consumer is not taxed in proportion to his expense, when he pays, not according to the value, but according to the bulk or weight of what he consumes. When such duties are imposed, not according to the bulk or weight, but according to the supposed value of the goods, they become properly a sort of inland customs or excise, which obstruct very much the most important of all branches of commerce, the interior commerce of the country.

In some small states, duties similar to those passage duties are imposed upon goods carried across the territory, either by land or by water, from one foreign country to another. These are in some countries called transit-duties. Some of the little Italian states which are situated upon the Po, and the rivers which run into it, derive some revenue from duties of this kind, which are paid altogether by foreigners, and which, perhaps, are the only duties that one state can impose upon the subjects of another, without obstruction in any respect, the industry or commerce of its own. The most important transit-duty in the world, is that levied by the king of Denmark upon all merchant ships which pass through the Sound.

Such taxes upon luxuries, as the greater part of the duties of customs and excise, though they all fall indifferently upon every different species of revenue, and are paid finally, or without any retribution, by whoever consumes the commodities upon which they are imposed; yet they do not always fall equally or proportionally upon the revenue of every individual. As every man's humour regulates the degree of his consumption, every man contributes rather according to his humour, than proportion to his revenue: the profuse contribute more, the parsimonious less, than their proper proportion. During the minority of a man of great fortune, he contributes commonly very little, by his consumption, towards the support of that state from whose protection he derives a great revenue. Those who live in another country, contribute nothing by their consumption towards the support of the government of that country, in which is situated the source of their revenue. If in this latter country there should be no land tax, nor any considerable duty upon the transference either of moveable or immoveable property, as is the case in Ireland, such absentees may derive a great revenue from the protection of a government, to the support of which they do not contribute a single shilling. This inequality is likely to be greatest in a country of which the government is, in some respects, subordinate and dependant upon that of some other. The people who possess the

most extensive property in the dependant, will, in this case, generally chuse to live in the governing country. Ireland is precisely in this situation; and we cannot therefore wonder, that the proposal of a tax upon absentees should be so very popular in that country. It might, perhaps, be a little difficult to ascertain either what sort, or what degree of absence, would subject a man to be taxed as an absentee, or at what precise time the tax should either begin or end. If you except, however, this very peculiar situation, any inequality in the contribution of individuals which can arise from such taxes, is much more than compensated by the very circumstance which occasions that inequality; the circumstance that every man's contribution is altogether voluntary; it being altogether in his power, either to consume, or not to consume, the commodity taxed. Where such taxes, therefore, are properly assessed, and upon proper commodities, they are paid with less grumbling than any other. When they are advanced by the merchant or manufacturer, the consumer, who finally pays them, soon comes to confound them with the price of the commodities, and almost forgets that he pays any tax.

Such taxes are, or may be, perfectly certain; or may be assessed, so as to leave no doubt concerning either what ought to be paid, or when it ought to be paid; concerning either the quantity or the time of payment. What ever uncertainty there may sometimes be,

either in the duties of customs in Great Britain, or in other duties of the same kind in other countries, it cannot arise from the nature of those duties, but from the inaccurate or unskilful manner in which the law that imposes them is expressed.

Taxes upon luxuries generally are, and always may be, paid piecemeal, or in proportion as the contributors have occasion to purchase the goods upon which they are imposed. In the time and mode of payment, they are, or may be, of all taxes the most convenient. Upon the whole, such taxes, therefore, are perhaps as agreeable to the three first of the four general maxims concerning taxation, as any other. They offend in every respect against the fourth.

Such taxes, in proportion to what they bring into the public treasury of the state, always take out, or keep out, of the pockets of the people, more than almost any other taxes. They seem to do this in all the four different ways in which it is possible to do it.

First, the levying of such taxes, even when imposed in the most judicious manner, requires a great number of custom-house and excise officers, whose salaries and perquisites are a real tax upon the people, which brings nothing into the treasury of the state. This expense, however, it must be acknowledged, is more moderate in Great Britain than in most other countries. In the year which ended on the 5th of July, 1775, the gross produce of the different duties, under the management of the commissioners of excise in

England, amounted to £5,507,308:18:8¼, which was levied at an expense of little more than five and a-half per cent. From this gross produce, however, there must be deducted what was paid away in bounties and drawbacks upon the exportation of exciseable goods, which will reduce the neat produce below five millions. {The neat produce of that year, after deducting all expenses and allowances, amounted to £4,975,652:19:6.} The levying of the salt duty, and excise duty, but under a different management, is much more expensive. The neat revenue of the customs does not amount to two millions and a-half, which is levied at an expense of more than ten per cent., in the salaries of officers and other incidents. But the perquisites of custom-house officers are everywhere much greater than their salaries; at some ports more than double or triple those salaries. If the salaries of officers, and other incidents, therefore, amount to more than ten per cent. upon the neat revenue of the customs, the whole expense of levying that revenue may amount, in salaries and perquisites together, to more than twenty or thirty per cent. The officers of excise receive few or no perquisites; and the administration of that branch of the revenue being of more recent establishment, is in general less corrupted than that of the customs, into which length of time has introduced and authorised many abuses. By charging upon malt the whole revenue which is at present levied by the different duties upon malt and

malt liquors, a saving, it is supposed, of more than £50,000, might be made in the annual expense of the excise. By confining the duties of customs to a few sorts of goods, and by levying those duties according to the excise laws, a much greater saving might probably be made in the annual expense of the customs.

Secondly, such taxes necessarily occasion some obstruction or discouragement to certain branches of industry. As they always raise the price of the commodity taxed, they so far discourage its consumption, and consequently its production. If it is a commodity of home growth or manufacture, less labour comes to be employed in raising and producing it. If it is a foreign commodity of which the tax increases in this manner the price, the commodities of the same kind which are made at home may thereby, indeed, gain some advantage in the home market, and a greater quantity of domestic industry may thereby be turned toward preparing them. But though this rise of price in a foreign commodity, may encourage domestic industry in one particular branch, it necessarily discourages that industry in almost every other. The dearer the Birmingham manufacturer buys his foreign wine, the cheaper he necessarily sells that part of his hardware with which, or, what comes to the same thing, with the price of which, he buys it. That part of his hardware, therefore, becomes of less value to him, and he has less encouragement to work at it. The dearer the consumers



in one country pay for the surplus produce of another, the cheaper they necessarily sell that part of their own surplus produce with which, or, what comes to the same thing, with the price of which, they buy it. That part of their own surplus produce becomes of less value to them, and they have less encouragement to increase its quantity. All taxes upon consumable commodities, therefore, tend to reduce the quantity of productive labour below what it otherwise would be, either in preparing the commodities taxed, if they are home commodities, or in preparing those with which they are purchased, if they are foreign commodities. Such taxes, too, always alter, more or less, the natural direction of national industry, and turn it into a channel always different from, and generally less advantageous, than that in which it would have run of its own accord.

Thirdly, the hope of evading such taxes by smuggling, gives frequent occasion to forfeitures and other penalties, which entirely ruin the smuggler; a person who, though no doubt highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been, in every respect, an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so. In those corrupted governments, where there is at least a general suspicion of much unnecessary expense, and great misapplication of the pub-

lic revenue, the laws which guard it are little respected. Not many people are scrupulous about smuggling, when, without perjury, they can find an easy and safe opportunity of doing so. To pretend to have any scruple about buying smuggled goods, though a manifest encouragement to the violation of the revenue laws, and to the perjury which almost always attends it, would, in most countries, be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with anybody, serve only to expose the person who affects to practise them to the suspicion of being a greater knave than most of his neighbours. By this indulgence of the public, the smuggler is often encouraged to continue a trade, which he is thus taught to consider as in some measure innocent; and when the severity of the revenue laws is ready to fall upon him, he is frequently disposed to defend with violence, what he has been accustomed to regard as his just property. From being at first, perhaps, rather imprudent than criminal, he at last too often becomes one of the hardiest and most determined violators of the laws of society. By the ruin of the smuggler, his capital, which had before been employed in maintaining productive labour, is absorbed either in the revenue of the state, or in that of the revenue officer; and is employed in maintaining unproductive, to the diminution of the general capital of the society, and of the useful industry which it might otherwise have maintained.

Fourthly, such taxes, by subjecting at least the dealers in the taxed commodities, to the frequent visits and odious examination of the tax-gatherers, expose them sometimes, no doubt, to some degree of oppression, and always to much trouble and vexation; and though vexation, as has already been said, is not strictly speaking expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. The laws of excise, though more effectual for the purpose for which they were instituted, are, in this respect, more vexatious than those of the customs. When a merchant has imported goods subject to certain duties of customs; when he has paid those duties, and lodged the goods in his warehouse; he is not, in most cases, liable to any further trouble or vexation from the custom-house officer. It is otherwise with goods subject to duties of excise. The dealers have no respite from the continual visits and examination of the excise officers. The duties of excise are, upon this account, more unpopular than those of the customs; and so are the officers who levy them. Those officers, it is pretended, though in general, perhaps, they do their duty fully as well as those of the customs; yet, as that duty obliges them to be frequently very troublesome to some of their neighbours, commonly contract a certain hardness of character, which the others frequently have not. This observation, however, may very probably be the mere suggestion of fraudu-

lent dealers, whose smuggling is either prevented or detected by their diligence.

The inconveniencies, however, which are, perhaps, in some degree inseparable from taxes upon consumable communities, fall as light upon the people of Great Britain as upon those of any other country of which the government is nearly as expensive. Our state is not perfect, and might be mended; but it is as good, or better, than that of most of our neighbours.

In consequence of the notion, that duties upon consumable goods were taxes upon the profits of merchants, those duties have, in some countries, been repeated upon every successive sale of the goods. If the profits of the merchant-importer or merchant-manufacturer were taxed, equality seemed to require that those of all the middle buyers, who intervened between either of them and the consumer, should likewise be taxed. The famous alcavala of Spain seems to have been established upon this principle. It was at first a tax of ten per cent. afterwards of fourteen per cent. and it is at present only six per cent. upon the sale of every sort of property whether moveable or immoveable; and it is repeated every time the property is sold. {Memoires concernant les Droits, etc. tom. i, p. 15} The levying of this tax requires a multitude of revenue officers, sufficient to guard the transportation of goods, not only from one province to another, but from one shop to another. It

subjects, not only the dealers in some sorts of goods, but those in all sorts, every farmer, every manufacturer, every merchant and shopkeeper, to the continual visit and examination of the tax-gatherers. Through the greater part of the country in which a tax of this kind is established, nothing can be produced for distant sale. The produce of every part of the country must be proportioned to the consumption of the neighbourhood. It is to the alcavala, accordingly, that Ustaritz imputes the ruin of the manufactures of Spain. He might have imputed to it, likewise, the declension of agriculture, it being imposed not only upon manufactures, but upon the rude produce of the land.

In the kingdom of Naples, there is a similar tax of three per cent. upon the value of all contracts, and consequently upon that of all contracts of sale. It is both lighter than the Spanish tax, and the greater part of towns and parishes are allowed to pay a composition in lieu of it. They levy this composition in what manner they please, generally in a way that gives no interruption to the interior commerce of the place. The Neapolitan tax, therefore, is not near so ruinous as the Spanish one.

The uniform system of taxation, which, with a few exception of no great consequence, takes place in all the different parts of the united kingdom of Great Britain, leaves the interior commerce of the country, the inland and coasting trade, almost entirely free.

The inland trade is almost perfectly free; and the greater part of goods may be carried from one end of the kingdom to the other, without requiring any permit or let-pass, without being subject to question, visit or examination, from the revenue officers. There are a few exceptions, but they are such as can give no interruption to any important branch of inland commerce of the country. Goods carried coastwise, indeed, require certificates or coast-cockets. If you except coals, however, the rest are almost all duty-free. This freedom of interior commerce, the effect of the uniformity of the system of taxation, is perhaps one of the principal causes of the prosperity of Great Britain; every great country being necessarily the best and most extensive market for the greater part of the productions of its own industry. If the same freedom in consequence of the same uniformity, could be extended to Ireland and the plantations, both the grandeur of the state, and the prosperity of every part of the empire, would probably be still greater than at present.

In France, the different revenue laws which take place in the different provinces, require a multitude of revenue officers to surround, not only the frontiers of the kingdom, but those of almost each particular province, in order either to prevent the importation of certain goods, or to subject it to the payment of certain duties, to the no small interruption of the interior commerce of the country. Some provinces are allowed to compound for the

gabelle, or salt tax; others are exempted from it altogether. Some provinces are exempted from the exclusive sale of tobacco, which the farmers-general enjoy through the greater part of the kingdom. The aides, which correspond to the excise in England, are very different in different provinces. Some provinces are exempted from them, and pay a composition or equivalent. In those in which they take place, and are in farm, there are many local duties which do not extend beyond a particular town or district. The traites, which correspond to our customs, divide the kingdom into three great parts; first, the provinces subject to the tariff of 1664, which are called the provinces of the five great farms, and under which are comprehended Picardy, Normandy, and the greater part of the interior provinces of the kingdom; secondly, the provinces subject to the tariff of 1667, which are called the provinces reckoned foreign, and under which are comprehended the greater part of the frontier provinces; and, thirdly, those provinces which are said to be treated as foreign, or which, because they are allowed a free commerce with foreign countries, are, in their commerce with the other provinces of France, subjected to the same duties as other foreign countries. These are Alsace, the three bishoprics of Mentz, Toul, and Verdun, and the three cities of Dunkirk, Bayonne, and Marseilles. Both in the provinces of the five great farms (called so on account of an ancient division of the duties of customs into

five great branches, each of which was originally the subject of a particular farm, though they are now all united into one), and in those which are said to be reckoned foreign, there are many local duties which do not extend beyond a particular town or district. There are some such even in the provinces which are said to be treated as foreign, particularly in the city of Marseilles. It is unnecessary to observe how much both the restraints upon the interior commerce of the country, and the number of the revenue officers, must be multiplied, in order to guard the frontiers of those different provinces and districts which are subject to such different systems of taxation.

Over and above the general restraints arising from this complicated system of revenue laws, the commerce of wine (after corn, perhaps, the most important production of France) is, in the greater part of the provinces, subject to particular restraints arising from the favour which has been shown to the vineyards of particular provinces and districts above those of others. The provinces most famous for their wines, it will be found, I believe, are those in which the trade in that article is subject to the fewest restraints of this kind. The extensive market which such provinces enjoy, encourages good management both in the cultivation of their vineyards, and in the subsequent preparation of their wines.

Such various and complicated revenue laws are not peculiar to

France. The little duchy of Milan is divided into six provinces, in each of which there is a different system of taxation, with regard to several different sorts of consumable goods. The still smaller territories of the duke of Parma are divided into three or four, each of which has, in the same manner, a system of its own. Under such absurd management, nothing but the great fertility of the soil, and happiness of the climate, could preserve such countries from soon relapsing into the lowest state of poverty and barbarism.

Taxes upon consumable commodities may either be levied by an administration, of which the officers are appointed by government, and are immediately accountable to government, of which the revenue must, in this case, vary from year to year, according to the occasional variations in the produce of the tax; or they may be let in farm for a rent certain, the farmer being allowed to appoint his own officers, who, though obliged to levy the tax in the manner directed by the law, are under his immediate inspection, and are immediately accountable to him. The best and most frugal way of levying a tax can never be by farm. Over and above what is necessary for paying the stipulated rent, the salaries of the officers, and the whole expense of administration, the farmer must always draw from the produce of the tax a certain profit, proportioned at least to the advance which he makes, to the risk which he runs, to the trouble which he is at, and to the knowledge

and skill which it requires to manage so very complicated a concern. Government, by establishing an administration under their own immediate inspection, of the same kind with that which the farmer establishes, might at least save this profit, which is almost always exorbitant. To farm any considerable branch of the public revenue requires either a great capital, or a great credit; circumstances which would alone restrain the competition for such an undertaking to a very small number of people. Of the few who have this capital or credit, a still smaller number have the necessary knowledge or experience; another circumstance which restrains the competition still further. The very few who are in condition to become competitors, find it more for their interest to combine together; to become copartners, instead of competitors; and, when the farm is set up to auction, to offer no rent but what is much below the real value. In countries where the public revenues are in farm, the farmers are generally the most opulent people. Their wealth would alone excite the public indignation; and the vanity which almost always accompanies such upstart fortunes, the foolish ostentation with which they commonly display that wealth, excite that indignation still more.

The farmers of the public revenue never find the laws too severe, which punish any attempt to evade the payment of a tax. They have no bowels for the contributors, who are not their sub-

jects, and whose universal bankruptcy, if it should happen the day after the farm is expired, would not much affect their interest. In the greatest exigencies of the state, when the anxiety of the sovereign for the exact payment of his revenue is necessarily the greatest, they seldom fail to complain, that without laws more rigorous than those which actually took place, it will be impossible for them to pay even the usual rent. In those moments of public distress, their commands cannot be disputed. The revenue laws, therefore, become gradually more and more severe. The most sanguinary are always to be found in countries where the greater part of the public revenue is in farm; the mildest, in countries where it is levied under the immediate inspection of the sovereign. Even a bad sovereign feels more compassion for his people than can ever be expected from the farmers of his revenue. He knows that the permanent grandeur of his family depends upon the prosperity of his people, and he will never knowingly ruin that prosperity for the sake of any momentary interest of his own. It is otherwise with the farmers of his revenue, whose grandeur may frequently be the effect of the ruin, and not of the prosperity, of his people.

A tax is sometimes not only farmed for a certain rent, but the farmer has, besides, the monopoly of the commodity taxed. In France, the duties upon tobacco and salt are levied in this manner. In such cases, the farmer, instead of one, levies two exorbitant

profits upon the people; the profit of the farmer, and the still more exorbitant one of the monopolist. Tobacco being a luxury, every man is allowed to buy or not to buy as he chuses; but salt being a necessary, every man is obliged to buy of the farmer a certain quantity of it; because, if he did not buy this quantity of the farmer, he would, it is presumed, buy it of some smuggler. The taxes upon both commodities are exorbitant. The temptation to smuggle, consequently, is to many people irresistible; while, at the same time, the rigour of the law, and the vigilance of the farmer's officers, render the yielding to the temptation almost certainly ruinous. The smuggling of salt and tobacco sends every year several hundred people to the galleys, besides a very considerable number whom it sends to the gibbet. Those taxes, levied in this manner, yield a very considerable revenue to government. In 1767, the farm of tobacco was let for twenty-two millions five hundred and forty-one thousand two hundred and seventy-eight livres a-year; that of salt for thirty-six millions four hundred and ninety-two thousand four hundred and four livres. The farm, in both cases, was to commence in 1768, and to last for six years. Those who consider the blood of the people as nothing, in comparison with the revenue of the prince, may, perhaps, approve of this method of levying taxes. Similar taxes and monopolies of salt and tobacco have been established in many other countries, particularly in the

Austrian and Prussian dominions, and in the greater part of the states of Italy.

In France, the greater part of the actual revenue of the crown is derived from eight different sources; the *taille*, the *capitation*, the two *vingtiemes*, the *gabelles*, the *aides*, the *traites*, the *domaine*, and the farm of tobacco. The live last are, in the greater part of the provinces, under farm. The three first are everywhere levied by an administration, under the immediate inspection and direction of government; and it is universally acknowledged, that in proportion to what they take out of the pockets of the people, they bring more into the treasury of the prince than the other five, of which the administration is much more wasteful and expensive.

The finances of France seem, in their present state, to admit of three very obvious reformations. First, by abolishing the *taille* and the *capitation*, and by increasing the number of the *vingtiemes*, so as to produce an additional revenue equal to the amount of those other taxes, the revenue of the crown might be preserved; the expense of collection might be much diminished; the vexation of the inferior ranks of people, which the *taille* and *capitation* occasion, might be entirely prevented; and the superior ranks might not be more burdened than the greater part of them are at present. The *vingtieme*, I have already observed, is a tax very nearly of the same kind with what is called the land tax of England. The bur-

den of the *taille*, it is acknowledged, falls finally upon the proprietors of land; and as the greater part of the *capitation* is assessed upon those who are subject to the *taille*, at so much a-pound of that other tax, the final payment of the greater part of it must likewise fall upon the same order of people. Though the number of the *vingtiemes*, therefore, was increased, so as to produce an additional revenue equal to the amount of both those taxes, the superior ranks of people might not be more burdened than they are at present; many individuals, no doubt, would, on account of the great inequalities with which the *taille* is commonly assessed upon the estates and tenants of different individuals. The interest and opposition of such favoured subjects, are the obstacles most likely to prevent this, or any other reformation of the same kind. Secondly, by rendering the *gabelle*, the *aides*, the *traites*, the taxes upon tobacco, all the different customs and excises, uniform in all the different parts of the kingdom, those taxes might be levied at much less expense, and the interior commerce of the kingdom might be rendered as free as that of England. Thirdly, and lastly, by subjecting all those taxes to an administration under the immediate inspection and direction of government, the exorbitant profits of the farmers-general might be added to the revenue of the state. The opposition arising from the private interest of individuals, is likely to be as effectual for preventing the two last as the

first-mentioned scheme of reformation.

The French system of taxation seems, in every respect, inferior to the British. In Great Britain, ten millions sterling are annually levied upon less than eight millions of people, without its being possible to say that any particular order is oppressed. From the Collections of the Abbé Expilly, and the observations of the author of the Essay upon the Legislation and Commerce of Corn, it appears probable that France, including the provinces of Lorraine and Bar, contains about twenty-three or twenty-four millions of people; three times the number, perhaps, contained in Great Britain. The soil and climate of France are better than those of Great Britain. The country has been much longer in a state of improvement and cultivation, and is, upon that account, better stocked with all those things which it requires a long time to raise up and accumulate; such as great towns, and convenient and well-built houses, both in town and country. With these advantages, it might be expected, that in France a revenue of thirty millions might be levied for the support of the state, with as little inconvenience as a revenue of ten millions is in Great Britain. In 1765 and 1766, the whole revenue paid into the treasury of France, according to the best, though, I acknowledge, very imperfect accounts which I could get of it, usually run between 308 and 325 millions of livres; that is, it did not amount to fifteen millions sterling; not the half of

what might have been expected, had the people contributed in the same proportion to their numbers as the people of Great Britain. The people of France, however, it is generally acknowledged, are much more oppressed by taxes than the people of Great Britain. France, however, is certainly the great empire in Europe, which, after that of Great Britain, enjoys the mildest and most indulgent government.

In Holland, the heavy taxes upon the necessaries of life have ruined, it is said, their principal manufacturers, and are likely to discourage, gradually, even their fisheries and their trade in ship-building. The taxes upon the necessaries of life are inconsiderable in Great Britain, and no manufacture has hitherto been ruined by them. The British taxes which bear hardest on manufactures, are some duties upon the importation of raw materials, particularly upon that of raw silk. The revenue of the States-General and of the different cities, however, is said to amount to more than five millions two hundred and fifty thousand pounds sterling; and as the inhabitants of the United Provinces cannot well be supposed to amount to more than a third part of those of Great Britain, they must, in proportion to their number, be much more heavily taxed.

After all the proper subjects of taxation have been exhausted, if the exigencies of the state still continue to require new taxes, they must be imposed upon improper ones. The taxes upon the neces-



saries of life, therefore, may be no impeachment of the wisdom of that republic, which, in order to acquire and to maintain its independency, has, in spite of its meat frugality, been involved in such expensive wars as have obliged it to contract great debts. The singular countries of Holland and Zealand, besides, require a considerable expense even to preserve their existence, or to prevent their being swallowed up by the sea, which must have contributed to increase considerably the load of taxes in those two provinces. The republican form of government seems to be the principal support of the present grandeur of Holland. The owners of great capitals, the great mercantile families, have generally either some direct share, or some indirect influence, in the administration of that government. For the sake of the respect and authority which they derive from this situation, they are willing to live in a country where their capital, if they employ it themselves, will bring them less profit, and if they lend it to another, less interest; and where the very moderate revenue which they can draw from it will purchase less of the necessaries and conveniencies of life than in any other part of Europe. The residence of such wealthy people necessarily keeps alive, in spite of all disadvantages, a certain degree of industry in the country. Any public calamity which should destroy the republican form of government, which should throw the whole administration into the hands of nobles and of soldiers,

which should annihilate altogether the importance of those wealthy merchants, would soon render it disagreeable to them to live in a country where they were no longer likely to be much respected. They would remove both their residence and their capital to some other country, and the industry and commerce of Holland would soon follow the capitals which supported them.