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THOUGHTS
ON
TAXATION:
IN THE COURSE OF WHICH
THE
POLICY
OF A
TAX ON INCOME
IS
IMPARTIALLY INVESTIGATED.

Nullius addictus jurare in verba magistri. Hor.

LONDON:

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1798.

ADVERTISEMENT.

IT is with the utmost diffidence that I commit the following sheets to the press: I am sensible that the discussion into which I have entered, is of a nature too abstract to afford general entertainment; those, therefore, who take up publications of this sort with a view of being amused with sallies of wit, effusions of fancy, and elegance of style, or gratified by personal anecdotes and satirical strictures, will throw this pamphlet aside with disgust and disappointment. It will be countenanced by no political party, as it courts the patronage of neither. The Author has delivered his sentiments with the freedom of an independent man; and though his opinions may be erroneous, they are, at least, sincere. To commit them to paper was the employment of a few leisure hours in a retired situation at a distance from the metropo-

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lis. They were thrown together on the spur of the occasion, and might certainly have been less imperfect, could the Author have had access to books or authentic documents on finance. They have been communicated to one single friend, whose approbation of their general tendency has induced the writer to submit them to the candour and indulgence of the Public.

Nov. 1, 1798.

THOUGHTS

THOUGHTS
ON
TAXATION,
&c.

IN the present exhausted state of this country, when supplies must be raised, and burdens imposed to an enormous amount, every reflecting mind will naturally bestow some degree of attention on the most eligible means of answering the present exigencies, and providing for the public necessity with the greatest ease to the people, and the least possible danger to the national credit. Nay, it is a subject which must ultimately force itself upon the consideration of the most careless and inattentive. Millions cannot be raised without being felt; nor is the pressure of taxation so light as to escape the notice of those who are subject to its operation.

Independent of Ministers, and unconnected with Opposition, it is my intention, in the following sheets, to offer some thoughts on the financial state of this country, with reference to the mode of raising

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the supplies, and making provision for the seventh year of a war, as unexampled in its expenses as it was extraordinary in its origin. And as the observations that I mean to submit to the judgment of the Public could derive no weight from the name of a man equally unknown in the literary and the political world, I shall leave them to stand or fall (according to the strength or weakness of the arguments on which they are founded) in the shape of an anonymous publication.

Though any discussion of the justice of the present war, or the conduct of his Majesty's ministers, is foreign to my purpose, I will explicitly acknowledge, that, in my opinion, ministers were the authors, and ought to be made to answer for the calamities in which the country is involved. Not only are its resources exhausted by the profusion with which they have been lavished to support the operations of this disastrous war, but every opportunity has been sought, every pretence has been laid hold of, to deteriorate the constitution, and rob the subject of his dearest rights. The freedom of the press, the right of petitioning, and the liberty of speech, have all been the subject of ministerial regulations, which have materially abridged, if not totally annihilated, those inestimable privileges.

But when the patriotic ardour and glowing eloquence of a Fox; the animated arguments, the forcible wit, and classic elegance of a Sheridan; and the

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the legal abilities and constitutional exertions of an Erskine, have been fruitlessly displayed; when the united splendour of their talents has proved too weak to wean the people from the confidence which they have so injudiciously placed in the authors of their misfortunes; it would be the height of presumption in me to imagine that my feeble pen could effect what their transcendent abilities have been unable to accomplish.

I have thought it, however, the more advisable to give some account of my political sentiments, because the following observations rather tend to recommend the project which ministers are supposed to have in contemplation; and if I am allowed any credit for candour or sincerity, the explanation I have given of my sentiments will preclude any suspicion that my judgment can be warped, in this instance, by my political prejudices, or influenced by an attachment to the men now in office, whose measures in general no man reprobates more warmly than myself.

The most material question that presents itself is, whether it is most expedient to persevere in the usual method of funding? or, whether it is eligible to have recourse to some more vigorous system of taxation, which, by raising the supplies within the year, or providing funds for the liquidation of the whole sum within a few years, will prevent the accumulation of
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the permanent debt, and the consequent degradation of the public funds?

It was the opinion of our ancestors, that when the national debt should amount to an hundred millions, the country would be undone, and a bankruptcy must ensue. Their more enlightened posterity, who are in the habit of providing for the interest of above *four* hundred millions, laugh at the simplicity of their forefathers, and wonder at their narrow and illiberal notions of finance. It may, however, be reasonably suspected, that this contempt of the sagacity of their ancestors is rather the suggestion of self-conceit than the result of profound investigation. It is very possible, that under the circumstances of the country at that time, a debt of *one* hundred millions would have brought the nation to a state of bankruptcy, and that it may now, under different circumstances, be able to provide for the interest of *four* hundred millions. Even at the close of the American war, if an addition had been made to the national debt, equal to that which has taken place during the last six years, the country must have sunk under the weight.

If the present annual income of the people is four times what it was in the days when that idea prevailed among our ancestors, it will follow that we can provide for the interest of four hundred millions with at least as much facility as they could for the interest of one hundred.

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But in order to enable a country to bear a weight of taxation, which will produce four times what it did before, it is not necessary that the public income of the nation should be quadrupled. The augmentation of income may be either *real* or *nominal*; it is *real* when it proceeds from an increase in the produce of the country, whether occasioned by the improvement of land, or the extension of manufactures and industry: it is *nominal*, when it is occasioned by a rise in the money price of commodities, or, more properly, by an alteration in the value of money.

When the augmentation proceeds from the latter cause, the excess of taxation can be raised only in proportion to that augmentation. If a man of an hundred a year should have his income doubled, but find the price of every commodity enhanced in the same proportion, he is not richer than he was before, his two hundred pounds representing no greater quantity of commodities than he could before purchase with one hundred; the nominal amount of his contribution is raised, but the proportion will remain the same.

When, on the contrary, the augmentation in the income is owing to an increase of the real wealth of the nation, it will enable the people to pay a greater proportion of their income towards the taxes. If a man of an hundred a year should find his income doubled, without any material alteration in the price of the several articles of consumption, he could, without distressing

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treffing himself, afford to pay much more than double his former contribution.

As the augmentation in the income of this country proceeds partly from one of these causes, and partly from the other, it may easily be accounted for how the nation may be enabled to provide for a debt four times heavier than it could have borne at a former period, though its aggregate income should not be quadrupled.

The improvements in agriculture, commerce, and manufactures, have added considerably to the real riches of the country; but the nominal price of consumable articles has likewise been much enhanced, owing principally, as I conceive, to the progress of taxation.

After considering, with some degree of attention, the nature, progress, and tendency of our financial system, I am induced to lay it down as a general, if not an invariable position, that all taxes fall ultimately on the consumer. Some taxes, such as that on hair-powder, carriages, horses, post-horses, servants, and most of the stamp-duties, are immediately levied upon him. They have this advantage, that the whole of what is paid by the individual is applied to the public service; but it is, in general, paid with particular reluctance, because it comes in the shape of a direct contribution: this, however, is not perhaps a real objection to that method of taxation, as the

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the unwillingness of the people to pay is some check upon the prodigality of a profuse minister and a complaisant parliament.

The money raised by way of customs and excise, though advanced by the merchant or manufacturer, is ultimately paid by the consumer; and the amount of the duty is so identified with the price of the commodity, that the purchaser is scarcely sensible that he is paying a tax; he however pays not only the tax; but the profit of the merchant or manufacturer upon that tax; so that if this method of taxation be more palatable, it is likewise more expensive: and as the commodity often passes through several hands before it reaches the consumer, he has frequently the profits of many dealers to defray; thus, the importer of wine sells it to the wine-merchant, who supplies the vintner at whose house the consumer drinks it. Nor are the profits of the several dealers unreasonable. If the importer pays 20*l.* for a pipe of wine, and 40*l.* for the duty, the capital employed on one pipe would purchase three, if the wine were subject to no duty; he must therefore, according to every commercial principle, make as much profit upon one pipe as he would otherwise upon three. The merchant and vintner must likewise have their profits before the gentleman can drink the wine at the tavern. Combinations have sometimes been formed to advance the price unreasonably upon the consumer, but the free spirit of competition will not allow such practices

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to be either frequent or lasting, unless they are supported by monopoly or exclusive privileges.

The land-tax has always been considered as an exception to the rule I have laid down, and as falling exclusively on the landlord. I will not hesitate to give it as my decided opinion, that if an equal tax were laid on land according to the rental, the landlord would, in process of time, transfer it to the tenant, who would throw it on the consumer, by advancing the price of provisions. But the land-tax, as it subsists at present, is so unequal in its operation, and so different from its original spirit, that it is very difficult to ascertain its tendency. The original design of that act was to levy a general contribution on the people, according to their property, real and personal; but as a fixed sum was laid on every district, and the inhabitants of each district allowed to levy it in the manner most agreeable to themselves, its execution was extremely irregular at first; and time and progressive alterations in the property of the kingdom have rendered it still more unequal. In general, however, it is levied almost exclusively upon land and houses, and has consequently been denominated the land-tax.

As it was originally intended to operate as a contribution on every man's income, and was moderate in its amount, it is probable that it affected every individual who was assessed to it in the same manner as the tax on carriages, &c. or the late assessed taxes.

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As the burden increased, and was found to be in reality, as well as in name, almost an exclusive tax upon land, it was natural for the landlord to endeavour to exonerate himself of the burden by raising his rent. This, however, could not be done with the same ease and expedition as in the case of taxes on consumable articles, which are immediately transferred by the trader to the consumer. Where there subsist leases, the landlord must bear every additional burden; besides, landed property being divided between a great number of proprietors, differently circumstanced, it is not so easy for them to combine as it is for merchants or manufacturers. Since, however, it has been invariably fixed at four shillings in the pound, the landlord, knowing the exact amount of the burden, can speculate with more certainty on the most effectual mode of shifting a part of it, at least, from his own shoulders, by raising his rent on the tenant, leaving him to indemnify himself at the expense of the consumer.

The great rise which has lately taken place in rents leads us to suspect that he has not been wholly unsuccessful in his endeavours; but it must at the same time be acknowledged, that the land-tax is not the sole, nor even the principal cause of the rise in the rent of land; it may be owing, in *some degree*, to the increase of the *real wealth* of the country; but in a much greater proportion to the increased expense of living, from the augmentation of the *nominal*

minal price of commodities, as I shall hereafter have occasion to show.

The tax upon houses and windows seems to partake partly of the nature of a personal impost, and partly of that of a land-tax; and, from the inequality of its application, falls in some cases upon the proprietor, more heavily than the land-tax itself. As it is paid by the occupier of the house, it is a tax on the consumer; but if it tend to lower the rent, it ultimately affects the owner.

The acute and philosophical Adam Smith, who has thrown more light on the nature of the wealth of nations than any author living or dead, makes a distinction between what he calls the building rent and the ground rent; and supposes that the former is not affected by the tax, which falls partly on the ground-rent and partly on the occupier. The distinction appears to me more ingenious than solid. The ground-rent bears a very trifling proportion to the value of the house, except in some particular situations, such as the metropolis, or in great commercial towns: and in those places the ground-rents are not likely to fall, because they enjoy the advantage of a monopoly, and because those houses are chiefly in the occupation of the commercial and manufacturing part of the community, who cannot leave them without great prejudice to their business, and who have it in their power to indemnify themselves by an advance in the price of their commodities, for any additional

ditional expense which they are obliged to incur. Besides, that distinction can only apply to the ground-rent of new houses; that of those already built is fixed and certain; and a diminution in the whole rent must fall on the building rent, as that which is due on the ground must always continue the same. I shall therefore consider the subject in a single point of view.

If an heavy tax were laid on all houses *ad valorem*, it would materially affect the proprietors of large and costly mansions, because people would remove into cheaper houses: but by increasing the demand, it would raise the rent of low-priced houses. In the same proportion as it would diminish the competition for large, it would increase that for small houses; the aggregate amount of house-rent might remain the same, but it would be divided in a different manner.

The tax on windows has very much sunk the value of old-fashioned houses, which, being built before the tax took place, generally have a great number of windows; but it has, in the same proportion, enhanced the rent of modern houses, which, having been built since the duties were laid on, are contrived in such a manner as to pay a much lower contribution for the enjoyment of light. What is lost by one class of proprietors is gained by the other; the loss of the former is owing, not to the principle of the tax, but the inequality of its operation.

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If the weight of taxes should for a short time reduce the rent of houses, it would discourage building; and as the houses decayed without being replaced, the competition which must arise in consequence would raise the rent, till the high price of that rent would induce the builder to turn his capital into that channel.

This tax is certainly very unequal in its operation; it injures one class of proprietors while it benefits another; but it forms no exception to the principle I have laid down; and the occupier, upon the whole, really pays the tax of the house he inhabits: if the tenant of a large house pays something less, that of a small house pays more; and I am here considering the general result. If an heavy duty were laid on brandy, without any addition to that on rum, it would give a great advantage to the dealer in rum over the brandy-merchant, and perhaps induce the latter to sell his brandy at a lower profit; but it would not change the operation of the tax on spirits, which would still continue to be paid by the consumer.

If we consult experience, and appeal to undisputed facts, it cannot be denied that very heavy duties have, within these five-and-twenty years, been laid upon houses and windows; and that, in spite of those burdens, not only no reduction has taken place in the rents of houses, but that they are now *considerably higher* than they were before the imposition

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tion of those duties. It will, I believe, be admitted, that they were never so high as they were immediately previous to the assessed taxes; the rent of large houses may have suffered some diminution in consequence, but low-priced houses must have risen in proportion.

Some people will ascribe this advanced rent to the increase of the real wealth of the country; but I attribute it principally to a rise on the nominal price of commodities, or a degradation in the value of money, occasioned by the progress of taxation. It cannot be owing to an increase in the demand, for never were so many houses unoccupied as at the present moment.

I admit that an increase in the number, elegance, and magnificence of houses is a proof of the increase of national opulence; but the mere augmentation of rent, unless occasioned by an increased competition, only proves an alteration in the value of money. Before the commencement of the present hostilities, houses were starting up in every part of the kingdom: this branch of speculation was carried to an extent unknown before, and which astonished even those who entertained the most sanguine notions of the riches of the country. But as soon as the war began to shed its baneful influence, and check the progress of national prosperity, all these speculations were instantly abandoned; building was at a stand; houses remained unfinished; and, converted into
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ruins, exhibited a melancholy spectacle of desolation. But the war had a very different effect on the rent of houses; for (except perhaps in a few places, where competition was diminished by the number of new buildings) it continued to rise in most parts of the kingdom, because the nominal price of every commodity was daily increasing in consequence of the progress of taxation*.

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* This requires explanation. I am very sensible that the war has lowered the rent of houses, where it has diminished the demand for them, which it has done in many places, in consequence of the stagnation it has occasioned in several branches of trade and manufactures. It has likewise caused a diminution in the general demand by reducing the number of housekeepers, owing principally to the great increase of the military establishment. No property is so much affected by a failure in the demand as houses; their number cannot be lessened, neither can any of them be withdrawn from the market. Yet, notwithstanding a diminution in the demand may, in some cases, have counteracted the tendency of the progress of taxation to advance their rents, they continued rising in general, previous to the assessed taxes, except in those places where the failure in the demand operated more powerfully than the opposite cause. It would be as unfair to quote Norwich on the one hand, as Portsmouth or Plymouth on the other. If in places not materially affected by the war the rent of houses continued the same, my reasoning would stand good; for the diminution in the general demand occasioned by a reduction in the number of housekeepers, would have lowered their rent if it had not been kept up by some other cause; and I think I am warranted in saying that, where the demand has not diminished, the rent has continued to rise.

That the assessed taxes have lowered the rent of houses upon the whole, is very probable; as all heavy imposts on any article will,

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There are a few taxes, such as that on auctions, and some duties on the transfer of property, the operation of which it is difficult to ascertain: they fall sometimes on the buyer, sometimes on the seller, according to circumstances; and it does not unfrequently happen that both contribute to it in a certain proportion. It might be said, that a man would not send his goods to an auction, unless he thought it would procure him an advantage at least equal to the tax he is obliged to advance; but upon the whole, I consider the operation of this tax as depending entirely on circumstances.

I have hitherto chiefly remarked on taxes, as they affect the price of the articles on which they are immediately imposed; but the evil does not end here. When taxes are laid upon one, or a few articles of luxury, those articles become dearer in proportion to the duty imposed upon them; and the price of other commodities continues the same: for instance, if taxes were laid on wine, spirits, and tea alone, they would not affect the price of other articles of consumption; but when they are so multiplied as to will, by discouraging the demand, lessen its value; especially when, as in the present case, a reduction cannot be made in the quantity in proportion to the diminution in the demand. Those partial causes, however, which have lowered the value of houses are temporary, and when once removed will cease to operate: the tendency which the increase of taxes has, by lowering the value of money, to raise the rent of houses as well as the price of other things, will then produce its full effect, when no longer counteracted by causes of an opposite tendency.

extend to a great number of the necessaries of life, they tend to raise the nominal value even of those articles which are not immediately taxed, the price of which is enhanced by the re-action of the duties laid on other commodities.

Neither butcher's meat nor corn are taxed; on the contrary, every exertion is made to keep them at a low price; yet they have risen to a price hitherto unknown in this country. This has been ascribed to scarcity, and to every cause, except the real one, the increase of our taxes. This, I am persuaded, is the true and efficient cause, though perhaps the evil may admit of increase or mitigation from other adventitious circumstances.

In order to be convinced of this truth, let us consider for a moment, from what sources the farmer produces the commodities that he sends to market, and in what manner these different sources are affected by the present heavy and increasing pressure of taxation. Adam Smith derives the price of all commodities from the rent of land, the profits of stock, and the wages of labour; to these we may add a fourth component part, the taxes paid to Government, which constitute a considerable part of the price of every commodity*.

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* It may be objected, that, as taxes are originally derived from one or other of those three sources of revenue (as that profound and judicious writer observes), I ought not to have confi-

The very rapid and enormous accumulation of taxes within these twenty years has raised the greatest part of consumable articles to such a price, that the landholder is not able to preserve his station in life, unless he, as well as other dealers, can raise the price of his commodity; and we find, in consequence, that the rent of land is growing higher every day, and keeps pace, at least in some degree, with

considered them as a distinct component part of price: but I am here treating, not of the original sources of revenue, to which taxes are far from contributing, but of their influence on the nominal price of commodities, which they raise very considerably: and I may be able to show, that the augmentation which they occasion in the price of things, whether by their immediate or indirect operation, though advanced upon the rent of land, the profits of stock, and wages of labour, ultimately falls, if not entirely, at least principally, upon that part of stock which is converted into annuities. Philosophically speaking, there are only two original sources of revenue—the rent of land, and produce of labour; stock is originally derived either from the one or the other, or both: but after it is accumulated, it becomes itself a very efficient and productive cause of revenue, and communicates additional energy and activity to the other two; it is therefore very properly considered as one of the principal sources of wealth and revenue. In the same manner, taxes, though derived from those three sources of revenue, evidently raise the price of goods, and may therefore be considered as one of the component parts of price, though they are not the sources of revenue. Commodities, before they are brought to market, must pay a certain contribution to the state, as well as a certain profit to the manufacturer; both of which tend to raise their price, of which they contribute two distinct component parts. I do not, in this instance, differ in principle from Dr. Smith; I only consider the subject in a different point of view.

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the advanced price of other commodities: there may be partial exceptions; but I believe it will be admitted, that it has risen considerably in general, and that the expiration of long leases is considered as a fortunate circumstance by the greatest part of the proprietors of land. If the fact be so, this conclusion will naturally follow, that, as the rent of the land rises, the produce of that land must rise in proportion.

It will not be denied, that wages have risen considerably of late in all parts of this kingdom; the cheaper sort of labour has, perhaps, more than any other risen in its price. A general effect cannot proceed from a partial cause; this increase of wages must be owing to some general cause, which extends its influence to all the labouring part of the community. It does not proceed from the growing prosperity of the nation, which, by increasing the demand, raises the price of labour: on the contrary, the stagnation which the war has occasioned in several of our manufactures, has, in some employments, by lessening the demand for workmen, counteracted, in some degree, the operation of the general cause, which has raised the wages of labour, almost uniformly, in all other occupations.

I can ascribe this general increase of wages to no other cause than the augmentation which has taken place in the price of the necessaries of life; no man will work unless he can procure a livelihood by his labour;

labour; as living grows more expensive, his wages must be increased: I mean, this must *ultimately* be the consequence; for it does not always immediately follow; and many and severe are the miseries the poor endure, before their wages are raised on a level with their necessary expenditure. That the advanced price of the necessaries of life has rendered an increase of wages necessary, has been so generally admitted, and universally felt, that the legislature, in spite of the growing burdens of the country, have lately found it necessary to increase the pay of the army and navy, on the avowed motive, that the dearth of provisions rendered it impossible for them to subsist on their former stipend.

Now it is evident, that the direct taxes paid by the labourer, such as those on salt, beer, candles, soap, leather, &c. must add considerably to his necessary expenses: and if (as I am attempting to prove) every article of consumption, though not directly taxed, be raised in price by the operation of the present extended system of taxation, his advanced expense in the article of provisions, lodging, clothing, &c. will be owing in a great measure to the increase of taxes. If, in consequence of the increased expense of living, the farmer is obliged to raise the labourer's wages, the work he performs must cost the farmer more than it did when wages were lower, and he must, consequently, enhance the price of those provisions which are the fruit of the husbandman's labour,

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The rise on the rent of land, and augmentation in the wages of labour, oblige the farmer to employ a larger capital; his stock becomes more expensive; his horses and cattle are dearer in proportion to the increase in the rent of land; his dead stock rises in price according to the augmentation in the price of labour; and as the profits upon his stock must be in proportion to the capital employed, the increase of that capital has a further tendency to raise the price of provisions. If, in consequence of taxes, the farmer pays more rent, employs a larger capital, and gives higher wages, he must raise the price of the produce of his land in proportion to the additional charges he incurs; and, though no part of it be subject to an immediate tax, the price of the whole is considerably enhanced in consequence of the pressure of the present system of taxation upon the different sources of his revenue, the rent of land, the profits of stock, and the wages of labour.

It may be objected to me, that I reason in a circle, and consider the same object sometimes as the cause, and sometimes as the effect of that cause: thus it may be said, that in one place I ascribe the increase of wages to the high price of provisions, while in another I represent this high price as the effect of the advanced wages of labour. The fact is, that taxes have an action and re-action: it is difficult to point out the first link of the chain; but what is the effect at first will often operate afterwards as a cause. The increasing expense of living induces the landholder

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to raise the rent of his land, and the advanced rent, in its turn, contributes to raise the price of several articles of consumption. If an augmentation of the labourer's wages raises the price of provisions, which are the product of his labour, the enhanced price of provisions will render a further increase of wages necessary: if, on the other hand, the dearness of provisions occasions an increase of wages, this increase of wages must raise the price of provisions still higher: the re-action will continue till the price of both has found its proper level. If taxes have this effect on provisions, they must have the same operation on all other commodities, which can be derived from no other source than the rent of land, the profits of stock, or the wages of labour.

Such appears to me to be the natural tendency of taxation to raise the price of every article of consumption; and my hypothesis is confirmed by facts. A melancholy experience teaches us, that a rise in the price of commodities has kept pace with the increase of taxes: there are, certainly, some exceptions; but they are owing to particular circumstances having counteracted the natural operation of taxation. Several of our manufactures, for instance, are as cheap, some even cheaper, than they were when taxes were much lighter, and the price of labour lower, than at present. But the low price of those manufactures is owing to the improvements which have been made in the productive powers of labour; by a proper division; the greater skill and dexterity of our workmen; and the invention of machinery,

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which, by abridging and facilitating the different operations, produce the same quantity of work with much less expense of labour, and enable the manufacturer to sell his goods cheaper, though he may give higher wages to each individual workman. A Wedgwood and an Arkwright have done more towards the national prosperity, and the support of public credit, than all the ministers and statesmen that ever existed, from the Conquest to this day.

I will go further, and contend, that in proportion as our taxes raise the price of the commodities we export, in the same proportion will the price of those we import from that market, in exchange, be raised to the consumer at home. People may imagine that it raises the balance of trade in their favour; but such an idea is founded on erroneous notions of commerce.

If, in our trade to Portugal, we sell twenty yards of broad cloth for 2*l.* and pay 2*l.* for a pipe of wine, it is because twenty yards of cloth are supposed to be of the same intrinsic value as a pipe of wine; and that they both represent an equal quantity of the product of land, capital, or labour. If by laying a duty of twenty shillings a yard on the exportation of cloth, the price of twenty yards should be advanced to 4*l.* it could not be expected that those twenty yards should purchase two pipes of wine; the relative value of twenty yards of cloth to a pipe of wine would continue the same as it was before, and the price of the wine must be raised in

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proportion, to enable Portugal to buy the cloth. Commodities must be exchanged according to their real value, not their nominal price; though we should think proper to make ten guineas represent 20*l.* these ten guineas would not purchase a pipe of wine in Portugal because we brought them there under that denomination.

It may be urged, that, if my reasoning be just, no apprehensions are to be entertained lest the advanced price of our manufactures should drive us from foreign markets, as by paying for the commodities in proportion to the rise in our own, we shall make it their interest to continue their dealings with us. This may be the case with respect to Portugal, where we in some degree monopolize the market; because no country but England would give any tolerable price for their wines, the value of which, I am persuaded, is kept up more by the price they give for our manufactures than by any demand or competition: should England prohibit their importation, they would not sell for half the price we give for them.

But where there is a competition, the lowest price will always regulate the market. If Portugal wines were universally marketable, the country which would sell cloth at ten shillings a yard, and take their wine at 10*l.* a pipe, would be preferred to that which would give 20*l.* for the wine, but demand twenty shillings for the cloth. In the first place, by

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giving the preference to the lowest price, it would enable the merchants to carry on their business with half the capital which would otherwise be necessary: besides, the cloth is not immediately bartered with the wine. The man who buys the cloth has no wine to sell; he will not give an advanced price for cloth, to enable the merchant or farmer to sell his wine to greater advantage. But, as England is almost the only market for port wines, it is the interest of that country to buy our cloth even at an higher price than she could purchase it elsewhere, because she gains more by her wines in her commerce with us than she loses by the cloth. Should France supply her with cloth, but refuse to take her wines, Portugal, having no vent for the latter, could make no returns for the cloth, which would soon cease to be imported from France.

But, to return to our subject. I have, in the course of this inquiry, endeavoured to show that the weight of taxes, with a few exceptions, falls ultimately on the consumer; and that they have a tendency to raise the price, not only of those articles on which they are imposed, but likewise of all other commodities, which, though not immediately taxed, rise in their nominal value in consequence of their indirect operation.

It may be objected, that, if taxes have no other tendency than to raise the nominal price of goods and lower the value of money, they may, without any

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any sensible inconvenience, be carried to any extent, it being of very little consequence, whether the value of a pound of meat be represented by sixpence or six shillings, while every other article of consumption, and the rate of every income, are increased in the same proportion. This is a matter which requires some consideration.

It would appear at first sight, that the amount of annual taxes could not exceed, at least in any great degree, the quantity of specie in circulation; and that, if the money price of things were to be ten times higher than it is at present, a much greater quantity of specie would be required to keep up the circulation. The invention of paper money has, however, in a great measure, obviated that objection; but as the whole fabric of paper currency is founded on credit, it is liable to be shaken, not only by the misconduct or misfortunes of individuals, but likewise on the event of any public commotion or natural calamity, which might disturb the tranquillity or endanger the safety of the state. It must be acknowledged, at the same time, that Government, by receiving it in payment for taxes, contributes in a great degree to secure its stability.

It would neither be useless nor uninteresting, to inquire whether paper currency has any tendency to lower the value of money. It is with the utmost diffidence that I venture to hazard an opinion which differs essentially from that of Dr. Smith, who was
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much better qualified to form a judgment on the subject than I can pretend to be. With all deference to so great an authority, I beg leave to suggest a few arguments on the affirmative side of the question, which to me appear more than plausible.

It is universally allowed, and admitted by the Doctor himself, that the discovery of America, by increasing the quantity of the precious metals, diminished their value. But the value of gold and silver, like that of other commodities, rises and falls, not only according to their quantity, but likewise in proportion to the demand there is for them in the market. Had the demand for those metals increased in proportion to the augmentation in their quantity in consequence of the discovery of the mines in America, money would not have sunk in value.

This is admitted by our author, who says, vol. i. p. 300, "The greater part of Europe was, during this period, advancing in industry and improvement, and the demand for silver must consequently have been increasing. But the increase of the supply had, it seems, so far exceeded that of the demand, that the value of that metal sunk considerably." Here he acknowledges, that the price of silver had risen, not merely because the supply was increased, but because it increased in greater proportion than the demand. He afterwards supposes that the further depreciation of its value was prevented by the increase of the demand, though the

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the quantity of the supply continued to increase. "The gradual increase of the demand for silver, or the gradual enlargement of the market, is probably the cause which has not only kept up the value of silver in the European market, but has perhaps even raised it somewhat higher than it was about the middle of the last century." (P. 415.) If an increase in the demand tends to raise its value, a diminution in that demand must be attended with an opposite effect, the supply remaining the same.

The greater quantity of gold and silver the circulation of specie requires, the greater must be the demand for those metals, and their value must rise in proportion. When paper is substituted for specie, it renders a smaller quantity of coin necessary; and, by lessening the demand for gold, diminishes its value. Our author says, p. 435, "Though he (the banker) has generally in circulation notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may frequently be a sufficient provision for answering occasional demands. By this operation, therefore, twenty thousand pounds in gold and silver perform all the functions which a hundred thousand could otherwise have performed. Eighty thousand pounds of gold and silver therefore can, in this manner, be spared from the circulation of the country." If twenty thousand pounds answer the same purposes of circulation as an hundred thousand, the demand for gold and silver must be considerably diminished, which

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which will occasion a depreciation in the value of those metals, which fall in price whether the quantity is increased or the demand diminished.

But he says that the gold and silver, which is replaced by the paper currency, will be exported, and converted into a capital employed in the purchase of foreign commodities. It may be so; but I am not considering the effects of paper on the productive wealth of the country, but its operation on the price of the precious metals. There is a double market for gold and silver; that of the particular country where it circulates, and Europe in general. The more we take from the circulation, and bring into either of the markets, the greater will be the depreciation of its value in that market: it is of little consequence whether the glut proceeds from an increase in the importation from America, or from a similar quantity drawn from the circulation of any particular country, in consequence of the substitution of paper currency.

Paper money cannot be exported; but it lessens the demand for specie, and therefore lessens its value at home. When the home market is overstocked, specie will be sent abroad, and, by augmenting the quantity without increasing the demand, its value will sink, though in a smaller degree, in the European as well as the home market.

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Suppose the nominal price of all articles of consumption in this country should be doubled or quadrupled, it would require a much greater quantity of currency to keep up the circulation. The deficiency, unless a gold mine were sprung on Hounslow-heath, must be drawn out of the general market; it must occasion a greater demand for gold in that market, and, therefore, raise its price: this augmentation of its value in the foreign market would likewise enhance its price at home, and consequently reduce the money price of commodities. But if the additional demand can be as effectually supplied by means of paper currency, which can be procured without expense, it will occasion no augmentation in the value of money, nor any reduction in the price of commodities. The price of gold and silver is regulated, not solely by the quantity there is in the market, nor entirely by the demand, but by the proportion the one bears to the other. Paper money lessens the demand for those metals without diminishing the quantity; a surplus must therefore be the consequence: that surplus augments the quantity at market without increasing the demand, and, therefore, lowers their price.

I cannot therefore agree in opinion with Dr. Smith, when he says, "The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity

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“ tity of gold and silver which is taken from currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency.”

In the first place, when paper currency is introduced to any considerable extent, it must necessarily occasion an increase of the whole currency, for the credit of the paper could not be supported without specie: when, therefore, the quantity of paper is equal, or nearly equal, to the whole currency necessary to carry on the circulation, there must be a certain quantity of specie added to that amount; otherwise the paper, not being exchangeable for money, would fall into universal discredit.

Besides, though the quantity should not be increased, it appears to me, for the reasons I have alleged, to lower the value of those metals which are the basis of all currency, and of which paper is only the representative: for though the quantity of the circulating medium should remain the same, by rendering gold less necessary, it makes it less valuable. The Doctor considers the value of gold and silver to depend solely on the richness or poverty of the mines which supply the great market of the commercial world with those metals. But, even on those principles, all the specie which, in consequence of the substitution of paper money, is withdrawn from the circulating currency, finds its way into this great market, and must have the same influence upon it as if it came out of the American mines.

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I shall now, without any further digression, proceed to assign some reasons why the funding system, and the increase of taxation, can, in my opinion, neither be carried *ad infinitum*, nor extended much further without the greatest danger. I have, in the preceding pages, only considered the general result of taxation, as it tends to affect the consumer and raise the price of all commodities, without taking notice of the various inequalities which mark the several stages of its progress, and influence its final operation. Some idea may be formed of the partial and unequal pressure it occasions in various cases, from my observations on the rent of houses. In such a complicated and heterogeneous system, it is some time before taxes so various and multiplied can find their proper level: when the burdens are increased in too great a proportion, or with too much rapidity, they may be attended with a pressure so heavy and intolerable, as to ruin the industrious, exasperate the discontented, endanger the tranquillity of the state, and threaten the very existence of government. The direct consequences of a tax may, in general, be ascertained with tolerable facility; and the burden is immediately transferred to the consumer: but it is not so easy to calculate its indirect operation. It is well known that a tax on beer, salt, soap, leather, &c. and the high price of provisions, must add to the necessary expenses of the labourer, and that, to enable him to subsist, some addition must be made to his wages; but it is not easy to ascertain in what proportion they ought to be raised: and many are the vic-

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times that fall a prey to want and disease, before their wages are augmented in proportion to the increase in their expenses: so that though the labouring part of the community do not ultimately pay the tax when once it has found its proper level, yet, till that takes place, they feel the burden of it more severely than any description of men, as it must be defrayed out of the funds necessary for their immediate subsistence, or the maintenance of their families. What aggravates the evil is, that these taxes commonly take place in war time, when a stagnation in trade and manufactures diminishes the demand for workmen, and enables their employers to engage them on their own terms. It must likewise be remembered, that they can exonerate themselves of the burden of taxes only while they can get work; when sick, or without employment, they feel the evil in its full force. Besides, when the consumption of any article of manufacture is diminished, many workmen are thrown out of employment, and frequently endure great distress before they can find other means of earning their bread.— When a diminution in the demand of any sort of goods arises from other causes, its progress is commonly slow and gradual; the number of hands employed in the manufacture of those goods is insensibly diminished; their labour is transferred, by degrees, to some other branch of manufacture; and the want of employment in one occupation is commonly compensated by the increasing demand for workmen in some more thriving branch of national industry. But when the diminution in the demand proceeds from the
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the imposition of a heavy tax which lessens the consumption of that article, its operation is sudden and abrupt; a number of workmen are unexpectedly, and all at once, deprived of bread: and when taxes are so far multiplied as to reduce consumption *in general*, one branch of manufacture does not thrive in proportion to the decay of another, nor afford provision for those who are thrown out of employment in consequence of its decline.

The merchant and manufacturer, it has been observed, by raising the price of their goods in proportion to the taxes they are subject to, transfer the burden to the consumer: yet they are often considerable sufferers, in consequence of the sudden, heavy, or unequal operation of taxes. When heavy duties are laid on any article of consumption, they are prejudicial to the interest of the dealer in that article, as they injure his trade in two different ways; by diminishing the consumption, and giving encouragement to smuggling. The merchant may perhaps suffer more from illicit trade than the manufacturer; but a failure in the consumption affects the interests of the latter in a much greater degree. It diminishes, to be sure, the business of the merchant, and may lessen his profits on the stock in hand; but if the business he was engaged in should cease to be sufficiently extensive or profitable for the employment of his capital, he can easily turn it into another channel. The manufacturer sustains an equal loss upon the
stock

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stock in hand—he experiences an equal stagnation of business; but the capital which he had laid out in the purchase of the machinery and other materials necessary for the establishment of his manufactory, and which is often very extensive, is considerably diminished in value, and cannot, without immense loss, be converted to any other purposes.

A sudden and heavy tax on any particular article is attended with another considerable inconvenience, from the partial and unequal manner in which it necessarily affects the different dealers in that article. This has been the consequence of the late duties upon wine. I was surprised to hear an intelligent importer of wine say that he sold more now than he ever did before: I was the more astonished, as, soon after the duties were imposed, I had heard him complain of the great diminution in the consumption. But my wonder ceased, when he informed me, that all who had engaged in that branch of commerce with small capitals had been driven from the market, and left the whole of the business in the hands of those who were possessed of large capitals. This must always be the consequence of high duties, especially when laid upon articles which will not admit of an immediate sale. Nothing can be more partial and unjust than such policy: it enriches the overgrown opulent merchant, at the expense of the poor industrious trader. It is, besides, prejudicial to the nation at large, as, by leaving the whole of the business in the hands

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hands of a few wealthy dealers, it gives them a monopoly of the market, which they regulate as they please.

Let us now turn our attention to a very important consideration: though taxes, both in their direct and indirect operation, fall, almost exclusively, on the consumer, some consumers, from the nature of their revenue, have it in their power to give the tax a further operation on a succeeding consumer: thus the workman, as consumer of taxed commodities, and other articles of consumption which are raised in price by the indirect operation of taxes, pays the tax in the first instance: but as, in consequence of the high price of the necessaries of life, he receives higher wages from the manufacturer, the tax in reality falls upon the latter, till, in consequence of the high price of labour, he raises the price of his goods; and the purchaser of those goods must pay ultimately the tax advanced by the workman and manufacturer, unless he can likewise exonerate himself from the burden, and transfer it to another. But there are several classes of men who cannot shift any part of the weight from their own shoulders, and are obliged to bear the whole accumulated burden: others may transfer a part of it; some gradually, and others more expeditiously: for though the weight of taxes *falls upon*, it does *not rest with*, every consumer. Consumers may be divided into four classes; those who derive their income from labour, from their stock in trade, from land, or from annuities.

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The two first classes, in this respect, are to a certain degree in a similar predicament; and, indeed, stock cannot be put in motion without the labour and industry of the owner. We have already seen that the taxes advanced by the workman are paid by his employer, and charged by him on the consumer. This is done directly by the manufacturer, but with less accuracy and facility by the farmer. As it is some time before it can be calculated in what proportion wages should be raised in consequence of an augmentation in the price of commodities, so it cannot be immediately ascertained what addition is to be made to the price of each article of provisions in consequence of the increase of wages; and till the proper level is found, the labourer often starves, and the farmer frequently breaks. But though the augmentation in the price of provisions is more gradual and less immediate, because less easily ascertained, than the increase in the price of manufactures, its operation, though less exact and more remote, is equally certain.

Merchants and manufacturers must, as well as other consumers, pay an advanced price for every article of their own consumption. In all the lower branches of commerce and manufactures, where the chief object of tradesmen is to obtain a livelihood, an increase in the tradesman's expenses must enhance the price of his goods. The richer dealer, who lives at a greater expense, enjoys a proportionate advantage from his superior capital; and, in most cases, every trader will

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will increase his profit in proportion to the advance in his expense. The object of this description of men is not only to live on their income, but by industry to improve their capital: they must, in consequence of the enhanced price of commodities, either be satisfied with a less considerable augmentation of capital (in which case the burden of the tax will fall on them); or they must retrench their expenses, and contribute less towards the public revenue; or, by raising their profits, throw the burden on the consumer. As this last method is by far the most convenient, so, I am convinced, it is by far the most frequent: but, in proportion as he is eased, others must be burdened; for the augmentation in his expenses, if it does not fall upon him, must be defrayed by somebody else.

They who derive their revenue from land, as I have already observed, will, in the course of time, be able to raise their rents in some proportion, at least, to the advanced price of the several articles of consumption. But the augmentation in the rent of land must be gradual and progressive; it cannot be immediate; neither can it rise with sufficient rapidity to keep pace with the accelerated motion of modern taxation.— While leases subsist, they are in the same situation as those who derive their income from annuities: even when the landholder is unencumbered with leases, he cannot on a sudden make any considerable advance in his rent; because, while the farmers in the neighbourhood hold their lands on moderate terms in consequence

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sequence of a long lease, if a tenant should give a much higher price, he could not stand the competition of his neighbours who hold their land on easier terms. Though rents have risen considerably in all parts of the kingdom, it does not appear to me that they have risen in proportion to the augmentation in the price of the several articles of consumption, and therefore the income of landlords is not raised on a level with their increased expenditure. It is indeed impossible that they should have exonerated themselves of the taxes which have so recently taken place, because the rise in their rents must be slow and gradual; therefore a sudden and heavy accumulation of taxes occasions as severe a pressure upon them as upon any body of men: they must either run in debt, or retrench, and, by diminishing their consumption, pay less towards the subsisting taxes.

Those who derive their income from annuities can, in no case, indemnify themselves by transferring the burden to others; the whole weight of taxes, both in their immediate effect and their indirect and circuitous operation, falls upon their shoulders: in proportion as the landholder or trader is eased, the annuitant must be aggrieved; they can relieve themselves only by burdening him, who finally pays the augmentation in the rents of the one, and the increase of the profits of the other: when taxes are considerably multiplied, he must curtail his expenses, and, by diminishing his consumption, occasion a defalcation in the produce of the taxes. Physicians and other pro-

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professional men, whose fees generally continue the same, cannot easily raise their profits to meet every augmentation in the price of commodities: when the pressure, however, is very severe, it is not impossible for them to find means of increasing their profits to a certain degree. The clergy, when paid in tithes, sustain no loss; they partake of the rise in the landholder's rent, the farmer's profits, and the labourer's wages; but when they receive a fixed salary, they are in the same situation as other annuitants.

It may be said, that annuitants, being unproductive and unprofitable members of society, are little entitled to the consideration of Government; they deserve, however, some attention from their numbers; and it is not one of the least objections to the funding system, that it tends to increase that number in proportion to the extent of its operation. They have, besides, a common interest with the military and other public functionaries; and, if the high price of the several articles of consumption oblige them to retrench, their contributions towards the necessities of the state must diminish in proportion, and defeat the purposes of taxation.

Thus it appears that the burden of taxes falls with accumulated weight, at all times, and under all circumstances, upon the annuitant; its pressure on the landholder is, for a time, equally severe; and though the merchant and manufacturer may indemnify themselves, it must be at the expense of the other two classes of consumers, who, in that case, must bear

their burden as well as their own. Heavy taxes must therefore diminish consumption; if they do not fall equally on all consumers, the inequality of their distribution increases the evil, and diminishes the consumption of those on whom they fall, in greater proportion than they increase that of those who are relieved: and though the trader may find means to transfer his taxes to the consumer, still the consumption of that class of men is diminished on the whole by their operation, first, as it lessens their business, by diminishing the demand for the articles in which they deal, but principally, because, by favouring the richer, to the prejudice of the poor trader, it unavoidably lessens the consumption of the latter, without increasing that of the former in the same proportion; for, though the rich dealer gains what is lost by the others, the greatest part of that profit will be applied to the augmentation of his capital, rather than the increase of his consumption.

Too heavy and sudden an increase of taxes must therefore defeat its own purposes: as they fall on consumption, they must not be carried to such an excess as would dry up the source whence their produce must flow. Should they be multiplied to such a degree as to occasion a general retrenchment, not only a deficiency in their produce, but a stagnation in the manufactures of the country, must be the unavoidable consequence: the whole trading interest of the country would be materially affected; but the severest pressure would be experienced by the labo-

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rious poor, who earn their bread by their industry; many of these would be unable to get employment: numbers of servants would likewise be discharged: and though a great number of domestic servants is in itself an evil, as it increases the number of unproductive labourers; yet it is not the greatest of evils, and may, in some cases, be the corrective of a greater calamity: it is better a poor man should wear a livery, than starve in the streets, or languish in a workhouse, as numbers must do, if ever the national industry should sink under the weight of excessive taxes.

If the numerous taxes, which have been imposed during these last six years, had been raised in the six years immediately succeeding the American war, I am persuaded that a bankruptcy, an insurrection, or some violent explosion, would have been the consequence. But in the interval of peace, the taxes laid on during the war had time to find their level; the whole of their operation came to be tolerably ascertained; the landholder gradually raised his rents, the labourer his wages, the farmer the price of his provisions; in short, the value of money became depreciated; and the annuitant, the officer (naval and military), and a few others, whose income partook of the nature of annuities, were the only material sufferers. This is the reason why every peace establishment, after a war, is always more expensive than it was before. Our future peace establishment, if we should ever again be permitted to enjoy the blessings of peace,

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will rise in greater proportion than it ever did before, in consequence of the augmentation in the pay of the army and navy. For this reason, likewise, every war is carried on at double the expense of the preceding. In 1739, our debt was less than forty-nine millions; the war which ended in 1748 added above thirty-two millions; the next war nearly doubled the whole debt, which, at its conclusion, amounted to about one hundred and forty millions; the American war was attended with a further addition of above an hundred millions. We shall be fortunate if we can get clear of the consequences of the present, at the expense of two hundred millions more: and a future war of six or seven years, upon as extensive a scale as the present, will not (if the present system can be extended so far) be carried on for less than double that sum.

I am aware that my ideas on the effects of taxation will not meet with universal approbation; I know different notions are entertained on the subject by men of considerable talents and superior abilities; among the most distinguished of whom stands the gentleman whose name has more than once been introduced in the course of these observations, and who can never be mentioned but in terms of admiration and esteem.

Dr. Smith admits that the augmentation in the wages of the workman is charged, with a profit, upon the price of his goods, by the manufacturer who advances

vances it; and therefore, that the final payment of this augmentation, together with the additional profit of the manufacturer, falls ultimately on the consumer. But he will not allow that the farmer can, in the same manner, indemnify himself for the rise in the wages of the labourer, by raising the price of his provisions; nor that the landholder can increase his rents in consequence of the pressure of taxes, or the enhanced price of commodities: he thinks that an augmentation in the rent of land can proceed only from the progress of improvement and the growing riches of the country.

It must be observed, that when this able writer published his work, the effects of taxation were not so conspicuous as they are at present; it was then, as it were, in its infancy; for, though he wrote only three-and-twenty years ago, its growth has in that interval swelled it to the size of a giant, and it has taken such immense strides, that its tendency can be ascertained with much greater precision than when he wrote. The amount of the annual taxes, at the time he published his book, did not exceed ten millions; our permanent establishment cannot be estimated much lower than twenty-five millions; so that the sum now raised is in proportion to what it was then, nearly as five to two.

That the present high price of labour, commodities, provisions, and rent, does not proceed from the growing

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growing prosperity of the country, will, I think, evidently appear from the following considerations.

The national wealth made a much greater progress during the last six years of peace, than it has done for the six years we have been engaged in war; yet the augmentation in the price of wages, commodities, and provisions, has been infinitely greater during the six years of war, than during the six years of peace; it seems, therefore, to have increased, not in proportion, but in an inverse ratio, to the thriving state of the country.

When things rise in price, in consequence of the growing wealth and increasing prosperity of the nation, the rise is slow, gradual, and progressive, like the increase of the national wealth; on the contrary, this rise has been as sudden and rapid as the progress of taxation. I except the rent of land, the rise in which is a remote consequence of the augmentation in the price of the other articles, and, as I have already observed, is slow and gradual.

As the augmentation in the price of things has been general and permanent, it cannot be attributed to any partial or accidental cause: if it be not owing to the increase of national wealth, I can trace it to no other cause but the increase of taxation, assisted perhaps by paper currency.

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When I say that the rent of land is raised in consequence of the high price of other things, it must be understood that I always mean the *nominal* rent, which may be raised while the *real* rent is diminished: for instance, suppose the price of other commodities, on an average, to rise one half, and rents to be advanced only one fourth, the nominal rent is increased, while its real value is diminished; a greater sum of money is paid, but will exchange for a less quantity of goods than a smaller sum did before: this I take to be, in a great measure, the case with the landholder at present; the nominal rent of his land has risen; but as it has not risen in proportion to the augmentation in the price of other things, though nominally raised, it is really lowered.

If, as Dr. Smith judiciously observes, the real value of any commodity consist in the quantity of labour it can command, or the quantity of other goods it will exchange for, an acre of land represents a certain quantity of labour, and will exchange for a certain quantity of other goods; any cause which tends to raise the nominal price of labour or goods in general, without increasing their value, must either raise at the same time the *nominal* rent of land, or sink its *real* value. Land bears a certain proportion in its value to that of other commodities; and any cause, which tends to affect the price of goods in general, will commonly extend its operation to land, as well as other things. An alteration in the value of money, in consequence of a great influx of bullion from new-

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discovered mines, or the debasement of the coin, would have the same effect on the nominal rent of land as on the price of other things. Any other cause, that will produce an equal degradation in the value of money, must be attended with similar consequences. It appears to me that the increase of taxes has an equal tendency to depreciate the value of money; but this depreciation, being the consequence of the aggregate effects of their complicated operation, cannot be distributed with the same accuracy and equality, as when it proceeds from an immediate and simple cause. This depreciation, though not uniform in its operation, nor equally distributed, has had a general, though unequal, influence on the nominal value of all sorts of property: rents have risen as well as other things, but not in a degree sufficient to prevent a diminution of their real value. It has not yet had its full operation on that property which continues rising in price every day.

Dr. Smith says, that a tax on land, as it has no tendency to diminish the quantity, can have none to raise the price of the produce. This is true, only on the supposition that the farmer is unable to advance the price of his provisions; for if he can transfer the tax to the consumer, the argument falls to the ground. The tax upon malt certainly raises the price of beer, though it may not diminish its quantity.

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Upon his principles, taxes on the necessaries of life, by raising the price of labour, fall on the landholder in a double capacity; as landlord by reducing his rent, and as consumer by increasing his expense. The first argument is likewise founded on the idea that the farmer cannot charge the increase of wages to the consumer, which I think is erroneous. The other depends on the ability of the landlord to raise the nominal price of his rents in proportion to the price of other goods.

It remains now to inquire, whether the farmer can raise the price of his provisions, in consequence of high wages and the enhanced price of the necessaries of life. If he cannot, the burden must fall upon him, or rather on the landlord, in the reduction of his rent, or the inability of the farmer to pay it.

I see no reason why the farmer should not be able to raise the price of his manufactures in proportion to what they cost him, as well as other manufacturers. It is said, the latter can keep back their goods, and occasion an artificial scarcity in the market; but that the farmer, from the perishable nature of his commodities, cannot do the same. It strikes me differently: the farmer's goods are not all immediately of a perishable nature; cattle, sheep, and even corn, may be sold as he finds most convenient: but though *he* is not always obliged to *sell*, his *customers* are *necessitated* to *buy*. It is of little consequence to me whether I buy a new hat to-morrow or next week; but I cannot

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not remain a week without food. I think therefore the farmer has as great a command of the market as the manufacturer; he cannot, however, so easily enter into combinations as the latter.

If the farmer could not raise the price of his provisions, the whole burden of advanced wages, and the high price of the necessaries of life, would fall upon him while his lease subsisted; the consequence would be, the utter ruin of the farmer, and a considerable abatement in the rent when the lease expired: instead of that, farmers thrive more than ever, and, almost without exception, give their landlord an advanced rent on the renewal of their leases. These are facts which cannot be argued or explained away.

Where the progress of taxation is slow and moderate, its effects are neither so visible nor so immediate: the farmer may, for a time, bear a moderate weight, but when excessive burdens are imposed, he must either remove them, or sink under the weight. During this war, taxes have had a more immediate effect in raising the price of labour and provisions than they were ever known to have before, because their amount being so much greater, their tendency was more visible, and their operation more sensibly felt; consequently the necessity of raising the price of goods became more urgent, and better understood. Labour and provisions have therefore considerably risen in price: this is a certain and acknowledged fact:

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fact: had this happened in consequence of the growing prosperity of the country, it would have taken place during the years preceding the war, and not kept pace with the increase of taxes raised since that period.

If this rise had proceeded from any accidental or partial cause, its effects would have been neither general nor permanent. Corn, in the years 1795 and 1796, rose to an immense price, in consequence of accidental scarcity; this great rise, like the cause that occasioned it, was temporary: it has since fallen in consequence of plentiful harvests; but it still continues dear, because the price of all goods is increased. Butcher's meat, which rose, not in consequence of any accidental cause, but owing to the general augmentation in the price of labour and commodities, still keeps up its price, as well as butter, poultry, and every other produce of the farm and dairy.

It will perhaps be said, that the price of meat is falling, though taxes continue to increase: it may be so in some degree; but unless it should fall as low as it was before the war, and other sorts of provisions should fall in proportion, that will not invalidate my argument. The price may have been raised in an higher proportion than it ought to have been: it was perhaps enhanced for some time in consequence of the very high price of corn: its high price may have encouraged a greater supply, which must lower it in some

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some degree: the various attempts made to reduce it, may have been attended with some degree of success, particularly the rearing of pigs: its high price, with the pressure of taxes in general, may, by lessening the consumption, have diminished the demand: fluctuations will happen from accidental causes; but while the price in general keeps pace with the increase of taxes, it will confirm my reasoning.

Our author admits that an uniform rise in the money price of things would argue a depreciation in the value of money. Let me appeal to every man's experience, whether a general rise has not taken place. It may not be absolutely uniform; in some manufactures it has been counteracted by other causes; but these exceptions would have taken place equally on any possible degradation in the value of money. Now if a general depreciation has taken place, and is not owing to the increase of taxes, it remains for my opponents to show from what cause it proceeds.

I beg leave to insist on these facts—that wages have risen; that the produce of the farm, as well as other commodities, has augmented in price; that the rents of land continue rising; that the rise in all these articles has been greater, without any comparison, during this war, than ever was known before, and therefore cannot proceed from the increasing prosperity of the nation, but must be owing to the increasing amount of taxes. Upon Dr. Smith's principles, the augmentation in the wages of labour and the price
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of goods, would have occasioned no rise in the price of provisions, but would have fallen upon the profits of the farmer or the rent of the landlord. On that supposition, provisions would have risen in price; the farmer, far from being in his present thriving situation, and augmenting the landlord's rent on the renewal of his lease, would be happy to have escaped the disgrace of bankruptcy or the horrors of a gaol, and would never have renewed his lease without requiring some abatement in his rent.

The whole difference between me and my opponents consists in this: it is presumed on the one hand, that, though taxes augment the price of wages, and that of several commodities, they have no tendency to raise the price of the produce of land, but to lower the rent of the landlord: while, on the other hand, it is contended, that by their operation on wages and several articles of consumption, they tend to raise the price of the produce of land in the same proportion as that of other goods, and, in process of time, to augment the nominal rent of the landlord; that by raising the price of things in general, they lower the value of money, and that consequently the annuitant bears the chief burden of taxation; with this observation, that until the landlord can raise his rents, and it cannot be done immediately, he is in the same situation as the annuitant. Which of these two opinions is best supported by argument, and confirmed by experience, must be left to the reader to determine.

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There remains to be considered another dangerous consequence resulting from the excessive multiplication of taxes; I mean its influence upon our manufactures in the foreign markets. The effects will be alarming upon either hypothesis; for it is universally admitted, that taxes, by raising the price of some materials, and all sorts of labour, tend to enhance, in proportion, that of the manufactures which are the produce of that labour and those materials: but the danger will be magnified, if they have likewise a tendency to raise the price of provisions, which, by causing a further increase of wages, must render manufactures still dearer.

The expense necessary for the production of our manufactures may, at last, grow so excessive as to drive us from foreign markets, and perhaps enable our rivals, in some degree, to supply our home consumption. The superiority we have hitherto maintained in foreign markets, has been owing partly to positive, and partly to negative causes. The ingenuity of our manufacturers; the industry of our workmen; the strong capitals of our commercial men, joined to their spirit of enterprise; and, above all, the invention of several useful machines which abridge the process of labour, have secured to our manufactures a decided preference in most foreign markets. But this superiority has been in a great measure supported by the want of industry and commercial enterprise in other countries, where speculations in trade received little encouragement from the

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policy of their government. These are the positive and negative causes which have counteracted the baneful effects of taxation, and hitherto maintained the superiority of British manufactures in every part of the globe. But if the adverse scale should be too heavily loaded, we may at last lose the preference we have hitherto enjoyed. The ingenious inventions of our countrymen may be transported into, or imitated in other countries; the industry of our rivals may be so stimulated by a change in their policy, as to emulate our own, and diffuse an equal degree of energy over their manufactures and commercial speculations. Thus we may be deprived of the negative advantages we have hitherto possessed, while the positive burdens we labour under will continue, and probably increase their pressure on the manufacturer, and induce him to transfer his capital and ingenuity into other countries, where, unencumbered with an intolerable load of taxes, he will exert his industry in the production of manufactures equal in value, and superior in cheapness to our own. Those manufactures may, by means of illicit trade, be introduced into this country, and drive our manufacturers from our own market. We see that our manufactures at present find their way into all foreign countries, notwithstanding the prohibition of some of their governments: if, unfortunately, foreign commodities should ever obtain a considerable superiority over our own, either in quality or cheapness, we may conclude that every attempt of our government to prevent their introduction would prove equally fruitless.

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The loss of the foreign market would aggravate every other evil resulting from excessive taxation: it would reduce the revenue, discourage industry, and diminish consumption. By causing a defalcation in the revenue, it would render new taxes necessary, and burdens would increase in proportion as the means of supporting them were diminished. The additional taxes would scarcely compensate for the diminution that would take place in consumption, owing to the multiplication of the taxes themselves, and the decline of manufactures. The manufacturer would be ruined; the annuitant, unable to live upon his income, would elude the taxes by leaving the kingdom; the labourer, left without work, and oppressed with heavy taxes, must beg, steal, or starve: he could not live by begging, for nobody would have any thing to give; to starve, to perish on the scaffold, or rot in the poor-house, would be his only alternatives. The whole country would exhibit a scene of misery and desolation, for which a general bankruptcy would be the only remedy.

When we consider the state of our debt, the enormous amount of our annual taxes, the depressed state of the funds, and the further depression which new loans must unavoidably occasion; when we reflect on the high interest which must be paid, and the numerous taxes which must be imposed, the boldest statesman will pause before he ventures to add to the permanent burdens which we are scarcely able to support. To raise the supplies by a general contribution, without any augmentation to the funded debt,
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appears to me a wise, a prudent, and a salutary measure. I approve the principle, and if it can be carried into execution with any degree of equity and impartiality, without having recourse to vexatious proceedings and unconstitutional expedients, I shall give the minister credit for the vigour, the prudence, and the policy of the plan.

To oblige a man to contribute the tenth part of his income, appears to me a fair and eligible mode in point of principle; but I am afraid it will be difficult to discover a criterion by which the amount of a man's income may be ascertained. But as my observations are intended to apply to the principle only, I shall confine myself to that consideration, without entering into any detail on the means of carrying it into execution.

Happy would it have been for this country, if, instead of adopting the funding system, the supplies had always been raised within the year: the people would have felt at once the ruinous effects of war, and no ministers could ever have deluded them into hostilities, by disguising their consequences. It would likewise have corrected that propensity to war for which the people of this country are too much distinguished; and at the return of peace, the nation would have found itself free from any burdens or incumbrances in consequence of the war. The contrast between the war and peace establishment would have induced the people to cherish the blessings of
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peace, and studiously to avoid the calamities of war. The funding system originated immediately after the Revolution, when the nation was involved in a war in support of the new establishment. As the government was yet precarious and unstable, it was found expedient to render the immediate pressure as light as possible, in order to reconcile the people to the actual system, trusting that at the restoration of peace they would gradually discharge the debt incurred during the war. It was not designed to form a permanent fund; anticipation only was at first intended, and was the parent of the present system.

Had Mr. Pitt, on the commencement of the present war, adopted the plan that he is said now to have in contemplation, we should long ago have enjoyed the blessings of peace: it would have cooled the resentment of the people against regicide France; Europe would have been now in a state of tranquillity and independence; she would not, in a state of the lowest humiliation, have crouched to the overgrown power of the French republic, which owes its present superiority to the victories it has gained, in consequence of the protracted war it was obliged to wage by the *enlightened* policy and *wise* perseverance of our *sagacious* minister,

Now that this country is engaged in the war beyond the possibility of retreat, he ventures to produce this plan, which, though it comes from *him* with an ill grace, is, I think, less destructive than an increase of our funded debt. Many objections may, and no doubt

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doubt will be urged against it; nor can any plan of finance be suggested, in any degree adequate to the present occasion, that will not be liable to very just objections: but it must be remembered that every tax is in itself an evil; that in finance there is no other choice but that of difficulties; and that when money must be raised, some method of raising it must be preferred, not because it is good, but because it is less inconvenient than any other. Upon these principles I am inclined to recommend this project, as less objectionable than any other that has been suggested.

All the advantages of a tax, except its productiveness, are chiefly negative; and there are some among the negative advantages that will proceed from this scheme. It will not increase the amount of the national debt: it will make no addition to the permanent burdens which threaten, if they receive any considerable accession, the ruin of the country: it will not enhance the price of the necessaries of life, nor of any article of consumption, and therefore will have no tendency to raise the price of labour: it will draw no more money out of the pockets of the people than will go into the Treasury: it will convince the people that war cannot be supported without some inconvenience, and render them more anxious for the restoration of the blessings of peace. If the supplies can be raised within the year, and the war should be continued beyond the next campaign, this method of raising money will not obstruct the supplies
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of the following year, by depressing the funds and lowering the national credit. The contribution may be continued for another year, without rendering the pressure of that year heavier than that of the preceding.

If the expenses of one year are paid in the course of two or three, the burden will be lighter for the time, but longer in its duration. I would recommend it to ministers to meet the difficulties boldly, and, if possible, provide for the whole of the expense during the year. While the war endangers the safety and prosperity of every individual, the people may be induced to make great sacrifices, but they will scarcely submit with any tolerable degree of patience to such heavy contributions on the return of peace.

After stating the advantages that will result from this plan, I must now consider the most weighty objections that may be urged against it. It may be said, that raising so large a sum will oblige every man to contract his expenses, and occasion a considerable devaluation in the produce of the permanent taxes. I admit it in some degree. This objection, however, does not apply to this scheme exclusively; it may be urged with equal force against any other that will raise a similar sum; and, if admitted as conclusive, will compel us to have recourse again to the destructive expedient of funding. The deficiency in the old taxes from diminished consumption must be considered

dered as a drawback on the product of this contribution, and must be provided for hereafter.

But it will be added, that by diminishing consumption it will lessen the demand for our manufactures. Undoubtedly. This objection is exactly of the same nature as the preceding, and equally applicable to any other method of raising the same sum. It is an inconvenience that must be submitted to, in order to avoid a greater: it is better that our manufactures should suffer a slight temporary suspension, than be totally and irretrievably ruined by the accumulated weight of permanent taxes. The annual amount of permanent taxes entailed on the country in consequence of the first five years of the war, scarcely falls short of the yearly sum intended to be raised by the assessed taxes.

Many will be of opinion that the tax ought to be laid on property rather than income: to me it appears that a temporary tax ought rather to be imposed on the latter; the annual income of every man is the best criterion of his ability to contribute to the expenses of the year. Besides, it would be much more difficult to ascertain the value of a man's property than the rate of his income: it is much easier for a commercial man to calculate the amount of his annual profits, than to estimate the exact value of his capital. That it will fall heavier on some descriptions of men than on others, cannot be denied; a perfect equality in the application of one common principle

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principle to an infinite variety of cases, is not to be attained. Exemptions and modifications may be adopted, but these relate to the detail, and I am only considering the general principle. I shall only observe, that if, as is reported, every man who has an income exceeding two hundred a year should be made to contribute in the same proportion, the plan will be very defective and inequitable: the scale ought to ascend higher, even upon the principle adopted by the minister in his assessed taxes.

Some will think that there should be a difference between a man who derives ten thousand a year from the revenue of his property, and the merchant or manufacturer who annually realizes the same sum by his business. I own it strikes me in a different light. No man is more indebted for his prosperity to the protection derived from the public force than the commercial man, and no man ought to contribute more liberally to the support of the state.

The merchant who makes ten thousand a year by his business, seldom spends the whole of his income; and as he pays taxes only as a consumer (if he *ultimately* pays any taxes at all), he does not contribute so much to the public burdens as the gentleman of a revenue of ten thousand a year, who in general lives up to his income, and therefore contributes more largely to the exigencies of the state. Besides, war affords a thousand opportunities of profitable speculation to commercial men: it is the war that enables them to

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make immense profits upon the loans: to the war they are indebted for those contracts which have enriched so many of them. It must be allowed that their speculations are not always successful, and that, as many grow rich, others are ruined in consequence of the war; but, as the contribution will be according to their actual income, it will bear a certain proportion to the success of the speculator.

The most formidable objection to this project is the inquisition that must take place, to ascertain the income of every man: if it be severe and rigorous, it will be oppressive and vexatious; if less strict and rigid, it will open the door to fraud and evasion. In one place it may be characterized with extreme rigour; while in another, indulgence, negligence, or connivance, will mark its proceedings. Here, in my opinion, the whole difficulty lies: as I am not in the confidence of the minister, I am ignorant by what criterion he means to judge of every man's income; but let his plan be ever so efficient, mild, and otherwise unobjectionable, the mere disclosure of the state of every man's circumstances is an evil of such magnitude, as to be justified by nothing short of the most urgent necessity. That such necessity exists, I firmly believe; funding leads to certain ruin; and, till a better substitute for that destructive expedient can be found, I must look upon this as our best resource.

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It has often been asserted, that a disclosure of income will be of the most fatal consequence to the mercantile world; but I think much more stress is laid upon that argument than it will bear. The disclosure of the amount of his income will afford no sure criterion by which a judgment can be formed of the trader's capital; a small capital often produces a considerable income, while a large capital, in consequence of losses or disappointments, is sometimes productive of but a moderate income. As in general, however, some idea of the capital may be formed from the income, I do not annex much weight to that argument; but it is certain that a disclosure of income will not affect the credit, or discover the circumstances, of a trader, so effectually as if the tax were laid on property, and he were obliged to disclose his capital. I confess I do not behold, what are called, the mysteries of trade, with so much veneration as many people: where so much is said about mystery, I am apt to suspect some knavery lurking at the bottom. I know no description of men into whose pecuniary circumstances people have so much right to inquire, as into those of persons who stand forward as candidates for public confidence. Is it unreasonable that the banker who invites the public to deposit their property in his hands, should give proofs of his responsibility? That such a disclosure may be inconvenient to many adventurers, who obtain credit under false pretences, I am very willing to admit; but I do not consider this as an evil: I think, if the circumstances of every trader

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were publicly known, though it might be attended with some inconveniences, it would likewise be productive of many beneficial consequences. Bankruptcies would be less frequent; private credit and personal confidence would be established on a firmer basis; and the open, unsuspecting, generous man would not so often be the dupe of the designing swindler or unprincipled adventurer. It might in some degree operate as a discouragement to future improvements. As in medicine, the most important discoveries have frequently been made by irregular practitioners; so in the commercial world, men of adventurous minds, and small capitals, are the most likely to discover new channels of trade. Men with large capitals seldom wander out of the beaten path, where their capital ensures a certain profit with little risk; they are cautious how they hazard it in new experiments. Men with a small or borrowed capital play a bolder game; and, seeing no chance of growing rich by the ordinary profits of a small capital, they seek a new road to wealth, at the hazard of their small fortune: if they succeed, the public partake of the fruits of their enterprise; if they fail, the loss is all their own, or at most extends only to their creditors: and even their failure often paves the way for more prudent, more fortunate, or wealthy projectors, who improve upon the original plan, and contribute to the extension of the commerce of their country.

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There is a certain class of men who will feel this disclosure as a very mortifying circumstance. We are all fond of a certain degree of respect and consideration, which nothing in this country is so likely to command as wealth, or the appearance of wealth: this induces many respectable families to adopt the most rigid economy; that they may, by making a genteel appearance, avoid the slights and contempt they conceive to be attached to narrow circumstances. This may be called vanity; but, if a weakness, it is an harmless, and, I believe, a very prevailing one. Most men are fond of making an appearance superior to their circumstances; and it must be mortifying for those who have, through life, laboured to conceal their indigence, to be compelled to declare it to the world. But the vanity of individuals, however innocent, cannot be put in competition with the safety of the state, or the preservation of the country.

There is another description of men, much less respectable, and who deserve little regard on their own account, that will find themselves in a predicament in which no man ought to be placed. Many, whose salaries or direct means of livelihood are very circumscribed, have recourse to indirect, often to dishonourable and criminal methods of augmenting their income. Where a custom-house officer is known to have no other means of livelihood than a salary of fifty pounds a year, he may, by exacting
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illegal fees, receiving bribes, or other corrupt practices, increase his real income to four or five times the amount of his salary; in that case he cannot swear to his real income, without indirectly confessing his iniquitous conduct. He must either *perjure* or *accuse* himself. The man who has rendered himself liable to punishment by his fraudulent practices, will seldom startle at perjury when it is the only means to secure him from detection. But here, if an oath should be imposed, he must swear at all events, and he has no alternative but to *perjure* himself, or swear himself a *knave*.

I shall notice only one more objection; the supposed breach of faith that would result from the imposition of any direct tax on the income of the public creditor. This appears specious and plausible. Not being learned in the law, I shall not inquire how far it may be a departure from the letter of it; neither shall I enter into any discussion, how far the legislature may be authorized, by urgent circumstances, to deviate from the literal import of the most solemn compact. I should be at no loss for precedents if they were necessary; charters have been repeatedly altered by the legislature, without the consent of the parties; and when the act passed for the consolidation of several duties, the appropriation of those duties was altered, and the security of the public creditors changed; but as they were no sufferers by the measure, it met with no opposition, though, perhaps, not strictly regular in point of form. It is upon the
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same grounds I shall attempt to defend a tax on the income of the stockholder, who, in my opinion, instead of being a loser, will be considerably benefited by this plan of finance.

While some exclaim against this breach of faith towards the public creditor, others complain, that, while every body else is overwhelmed with taxes, the stockholder alone bears no share in the public burdens; and hold him out as an object of envy to the rest of his countrymen. If I have been in any degree successful in unfolding the progress and tendency of taxation, the reverse will appear to be the fact; the annuitant, though not taxed in the first instance, ultimately bears almost the whole weight of taxation. The taxes which fall on the labourer are by him transferred to the farmer, who throws them on the artisan in the advanced price of the provisions he consumes; the artisan is indemnified by receiving higher wages from the manufacturer, who, in consequence, raises the price of his goods on the consumer; but if the consumer should be an annuitant, the link of the chain breaks there: he cannot transfer the burden, he must sustain its whole accumulated weight. He finally pays the taxes on the labourer's consumption, the advance in the price of provisions consumed by the artisan, together with the profits of the farmer and manufacturer; and whenever the landholder succeeds in raising his rent, this must likewise be ultimately defrayed by the annuitant: his expenses daily increase, while his revenue continues the

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the same. As taxes are multiplied, retrenchment, ruin, or emigration, are his only alternatives.

Though the hypothesis that I have endeavoured to maintain should be erroneous, it cannot alter the nature of facts. It is undeniable that the price of most commodities, the wages of labour, and the rent of land, are raised considerably; and that the income of the annuitant continues the same. He must, out of the same sum, pay the advanced rent of the landlord, the increased profit of the trader, and the augmentation in the wages of the labourer. If the rise of rents and increase of profit proceed from the thriving situation of the country and the improving wealth of the nation, still it enables the landlord and trader, who are benefited by its extension, to support the increasing burden of taxes: but the annuitant does not partake of the growing prosperity; on the contrary, it adds to his difficulties by increasing his expenses. If the nominal value of land did not rise, the landlord would be in a still worse situation than the annuitant, on the supposition that he bore the whole or any part of the land-tax: but that it has risen, is a fact that will admit of no dispute; if this rise be owing to the progress of taxation, it is, as far as it proceeds, an antidote to the evil; and, if it should be owing to any other cause, though taxes have the same positive operation upon him as they have on the annuitant, yet his relative situation is more advantageous, because the rise on his rents, let it proceed

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proceed from whatever cause, must diminish the pressure of increasing taxes.

In addition to these disadvantages, which are common to all annuitants, the stockholder labours under another difficulty peculiar to himself. If, in consequence of the pressure occasioned by increasing taxes and the augmentation in the expense of living, he should no longer be able to subsist on his income, he cannot employ his capital in any branch of manufactures, commerce, or active industry, without disposing of it at a loss of 50 per cent.; so that, not only his income loses its comparative value, but his capital is diminished one half: and as the value of his property is impaired, its security is weakened.

Far, therefore, from considering the stockholder as an object of jealousy, I think him entitled to an uncommon share of indulgence and attention. It would be no less cruel than unjust to single him out as an exclusive object of taxation, who is already one of its most devoted victims. At the same time I should think him either very ungrateful, or very inconsiderate, if he should oppose this measure, and plead his privilege in order to prevent its success.

His income, to be sure, in other cases, is not taxed in the first instance; he advances no duty, but he ultimately pays the greatest part of those advanced by others, with the addition of the several profits of those

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those who advance them. The burden of many falls on his shoulders, which he must bear in addition to his own, without the possibility of transferring it to others. To every tax on consumption therefore he contributes more than his share; to this he will pay only in proportion to others.

Even those who think that taxes on consumption do not fall *heavier* on the annuitant than on other descriptions of men, will not say that they are *less* affected by them: they must at least bear an *equal* share. A tax upon income will not therefore, even upon their principles, be more oppressive to them than if it were laid upon expenditure. It would only be prejudicial to those who hoard part of their income: but as it will affect the profits of trade, as well as the savings from revenue, and the former are by far the most considerable, even in that respect its operation will be in favour of the annuitant.

But the stockholder will derive other essential advantages from this measure. It will increase the value and strengthen the security of his capital; as the national debt increases, the funds of the public creditor sink in value, while their security is rendered more precarious. A continuance in the funding system might, in a very short time, totally destroy the one and annihilate the other. I will not hesitate to say, that if stockholders in general understood their true interest, the table of the House of Commons would be loaded with their petitions, praying their constituents to prevent their impending ruin, by adopting

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adopting some mode of providing for the public necessities, without any increase to the funded debt, which must, if persisted in, prove fatal to their interests.

The assessed taxes were, substantially at least, as much a breach of national faith towards the public creditor, as the project under consideration. It was avowedly intended to make every man contribute according to his income; and the assessed taxes were fixed upon as the best criterion to ascertain that income: the principle was the same in both cases, though there may be some variation in the form.— The spirit of that measure was to lay a contribution on income; the assessed taxes were the means adopted to accomplish it; as they have proved inadequate, other means are now sought to obtain the same end. The present method appears to me infinitely preferable in every respect, except one; I mean the necessity it will occasion of instituting a scrutiny into every man's income. In the first place, it will produce a great deal more. Secondly, the contribution will bear a more equal proportion to a man's ability to contribute. In many cases, the assessed taxes obliged a man to pay more, in proportion as his previous extravagance had diminished his ability of paying at all: the miser was spared, while the prodigal was overburdened. Thirdly, it will not have so great a tendency to diminish the product of the permanent taxes. While the contribution was regulated by the amount of particular taxes, it tempted every man to pay as little as possible towards them, in order to

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lessen their contribution. Those taxes must have suffered a great diminution in consequence. Taking the assessment upon the rate of the preceding year, though it lessened, it did not entirely remove the evil. Those who had never been assessed, those who could, as well as those who imagined they might, evade the consequences of their former assessments, were induced to make a considerable reduction in their establishment. Fourthly, the contribution not depending upon any particular branch of expenditure, every man is left at liberty to regulate his expenses according to his inclination, without being deprived of any favourite enjoyment because more particularly affected by the tax.

But as the measure in agitation is likely to be opposed chiefly by those who reprobated the assessed taxes, it will not convince them that it is right, because the other might be worse. We must therefore let it stand on its own merits. Any opposition to it must, I believe, be founded on one of these grounds: that it is not necessary to raise the money at all; that this method of raising it is more objectionable than the old mode of funding; or that a better plan than either of them may be adopted.

Nothing would give me greater pleasure than to see the project defeated on the first of these grounds: and the minister who should presume to bring forward such a proposal, without the most urgent necessity, ought to be answered by an *impeachment*; his exit on the scaffold would afford the best lesson of

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economy to his successors in office. If any plan of finance, equally productive, and less objectionable than the present, can be devised, I shall likewise rejoice, though in an inferior degree: but if there is no other alternative; if we must either adopt a tax on income, or persevere in the destructive method of funding, I do not hesitate to declare that we ought not to balance a moment in giving the preference to the former; not because it is good in itself, but because it is less pregnant with evil than the other. So heavy a contribution will, no doubt, be attended with great inconvenience and many unpleasant circumstances; but its pressure will be temporary, though severe; the extent of the evil is known at once; it may be galling for the time, but it will leave nothing behind: whereas it is impossible to calculate the mischiefs which may result from any considerable addition to the permanent debt entailed upon the country, or ascertain the calamities which that political monster may generate in her prolific womb.

I am not without hopes that some method may hereafter be adopted to simplify our present complicated system of finance, which is supported at an immense expense, operates with great inequality, and opens the door to much fraud and evasion. If, on the return of peace, all taxes were repealed, except such as it might be thought expedient to retain for the purposes of regulation, and some simple plan adopted, we should be relieved at once from an army of revenue-officers and tax-gatherers, who are a double weight to the nation, as they are unproductive members

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members of society, and as they are maintained at the public expense. I flatter myself the present measure may lead to something of that nature.— What would be the most proper object of taxation I will not pretend to say; it is a subject too arduous for me to determine, neither have I considered it with sufficient attention to authorize me to give my opinion.

Some time ago Mr. Dobbs published a pamphlet in which he recommended that principle, and proposed that all taxes should be laid exclusively on houses; but I rather think that an imposition of that kind ought to be laid on objects of absolute necessity; though houses may be necessary, good houses are not; it appears to me that land would be more likely to afford a productive revenue.

If ten shillings in the pound were laid on land according to the real rental, allowing the landlord to charge it to his tenant in addition to his rent, it would raise a sum perhaps nearly equal to what will be required for the peace establishment. Some will say it would ultimately fall on the landholder; that objection I have already considered: others, that it would raise the price of provisions; this appears to me better founded: it would have that effect certainly; but not so much as may be imagined at first sight. The rent of land at present cannot, at the highest computation, be supposed to constitute more than one-third of the price of provisions: a tax of ten shillings in the pound would therefore only raise them one-sixth of their present price. It may be said,

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said, that provisions being raised one-sixth, would cause a proportionate augmentation in the price of labour, and occasion a further rise in the price of provisions. This consequence I cannot admit; I am far from believing that it would raise wages: the labourer would pay one-sixth more for his provisions, but he would be relieved from all the taxes which at present he is obliged to bear: this, in my opinion, would more than compensate for the additional price he would give for his bread and meat. Bread would not rise so much as other articles, for the rent of the land does not bear so great a proportion to the value of wheat as it does to most other articles of cultivation. Every housekeeper would spend seven shillings at market where he now spends six; but he would pay no window-lights, no duties on custom or excise; he would be free from every other burden.

The most material question is, how far such a measure would affect the price of wool and other raw materials used in our manufactures?

I am sensible of the many difficulties such a measure would be attended with: but if this hint, imperfect as it is, should induce men of more weight and greater abilities to turn their attention that way, and strike out some feasible plan for rendering our system of taxation less burdensome and oppressive, this pamphlet will not be altogether useless. Indeed I think that the great augmentation which will take place in the expenses of our peace establishment, must compel the attention of the legislature, and introduce

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introduce some improvement in our system of finance. I shrewdly suspect that it might have taken place before this time, had not ministers been more anxious to extend their patronage than to relieve the burdens of the people. The suppression of the great revenue boards, with their numerous train of dependents, though it would be attended with the most beneficial consequences, whether considered in a constitutional or economical point of view, would considerably diminish the corrupt influence of ministers: it cannot therefore be expected to take place under the present administration. It is perhaps too great a sacrifice to be expected from the virtue of any minister.

I have endeavoured in the preceding pages to establish the following propositions:

That taxes, with a few exceptions, ultimately fall on the consumer.

That they tend to raise the price, not only of those articles on which they are laid, but likewise of those which are not immediately taxed; and consequently tend to lower the value of money by raising the nominal price of goods in general.

That though paid by every consumer, some consumers have it in their power to transfer the burden to others, and therefore they are not all equally affected by their operation.

That annuitants, not having it in their power to transfer any part of their burden, and having a great part

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part of that of others thrown upon them, suffer more by their operation than any description of men.

That taxes diminishing consumption, and thereby defeating their own object, cannot be extended *ad infinitum*; nor can they be rapidly increased to any great amount without great inconvenience and danger.

That a further increase of the funded debt would be highly impolitic and eminently dangerous at the present period.

That a tax on income, though liable to strong and weighty objections, is preferable to a perseverance in the funding system.

That the stockholder, far from being aggrieved, will be eminently benefited by such a general contribution.

How far my attempts to elucidate the above subjects may have been successful, must be left to the determination of the intelligent reader. In disquisitions of so abstruse a nature, different opinions will naturally be entertained; to canvass their respective weights is the province of literature and philosophy. I have delivered my sentiments with freedom, but, I hope, without dogmatism or illiberality; and those who may think that I have failed in proving what it was my principal design to establish, will, I flatter myself, be candid enough, while they condemn my performance, to give me some credit for the motives which alone could have tempted me to expose my feeble abilities in the service of the Public.