coin of the same denomination. The produce of the former will always bear the same proportion to the value of the real produce of the land. The produce of the latter may, at different times, bear very different proportions to that value.

When, instead either of a certain portion of the produce of land, or of the price of a certain portion, a certain sum of money is to be paid in full compensation for all tax or tythe; the tax becomes, in this case, exactly of the same nature with the land-tax of England. It neither rises nor falls with the rent of the land. It neither encourages nor discourages improvement. The tythe in the greater part of those parishes which pay what is called a Modus in lieu of all other tythe, is a tax of this kind. During the Mahometan government of Bengal, instead of the payment in kind of a fifth part of the produce, a modus, and, it is said, a very moderate one, was established in the greater part of the districts or zemindaries of the country. Some of the servants of the East India company, under pretence of restoring the public revenue to its proper value, have, in some provinces, exchanged this modus for a payment in kind. Under their management this change is likely both to discourage cultivation, and to give new opportunities for abuse in the collection of the public revenue, which has fallen very much below what it was said to have been when it first fell under the management of the company. The servants of the company may, perhaps, have profited by this change, but at the expence, it is probable, both of their masters and of the country.

Taxes upon the Rent of Houses.

The rent of a house may be distinguished into two parts, of which the one may very properly be called the Building rent; the other is commonly called the Ground rent.
only that profit has ever made the principal part of the public revenue of a monarchical state.

Small republics have sometimes derived a considerable revenue from the profit of mercantile projects. The republic of Hamburg is said to do so from the profits of a public wine cellar and apothecaries shop*. The state cannot be very great of which the sovereign has leisure to carry on the trade of a wine merchant or apothecary. The profit of a public bank has been a source of revenue to more considerable states. It has been so not only to Hamburg, but to Venice and Amsterdam. A revenue of this kind has even by some people been thought not below the attention of so great an empire as that of Great Britain. Reckoning the ordinary dividend of the bank of England at five and a half per cent, and its capital at ten millions seven hundred and eighty thousand pounds, the neat annual profit; after paying the expense of management, must amount, it is said, to five hundred and ninety-two thousand nine hundred pounds. Government, it is pretended, could borrow this capital at three per cent, interest, and by taking the management of the bank into its own hands, might make a clear profit of two hundred and sixty-nine thousand five hundred pounds a year. The orderly, vigilant and parsimonious administration of such aristocracies as those of Venice and Amsterdam, is extremely proper, it appears from experience, for the management of a mercantile project of this kind. But whether such a government as that of England, which, whatever may be its virtues, has never

* See Memoires concernant les Droits & Impositions en Europe: tome 1, page 73.

This work was compiled by the order of the court for the use of a commission employed for some years past in considering the proper means for reforming the finances of France. The account of the French taxes, which takes up three volumes in quarto, may be regarded as perfectly authentic. That of those of other European nations was compiled from such informations as the French ministers at the different courts could procure. It is much shorter, and probably not quite so exact as that of the French taxes.
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been famous for good economy, which in time of peace has generally conducted itself with the slothful and negligent profusion that is perhaps natural to monachies; and in time of war has constantly acted with all the thoughtless extravagance that democracies are apt to fall into; could be safely trusted with the management of such a project must at least be a good deal more doubtful.

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

Princes, however, have frequently engaged in many other mercantile projects, and have been willing, like private persons, to mend their fortunes by becoming adventurers in the common branches of trade. They have scarce ever succeeded. The profusion with which the affairs of princes are always managed, renders it almost impossible that they should. The agents of a prince regard the wealth of their master as inexhaustible; are careless at what price they buy; are careless at what price they sell; are careless at what expense they transport his goods from one place to another. Those agents frequently live with the profusion of princes, and sometimes too, in spite of that profusion, and by a proper method of making up their accounts, acquire the fortunes of princes. It was thus, as we are told by Machiavel, that the agents of Lorenzo of Medicis, not a prince of mean abilities, carried on his trade. The republic of Florence was several times obliged to pay the debt into which their extravagance
gance had involved him. He found it convenient, accordingly, to give up the business of merchant, the business to which his family had originally owed their fortune, and in the latter part of his life to employ both what remained of that fortune, and the revenue of the state of which he had the disposal, in projects and expences more suitable to his station.

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

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

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

The city of Hamburgh * has established a sort of public pawnshop, which lends money to the subjects of the state upon pledges at six per cent. interest. This pawn-shop or Lombard, as it is called, affords a revenue, it is pretended, to the state of a hundred and fifty thousand crowns, which, at four and sixpence the crown, amounts to 33,750l. sterling.

The government of Pennsylvania, without amassing any treasure, invented a method of lending, not money indeed, but what is equivalent to money, to its subjects. By advancing to private people, at interest, and upon land security to double the value, paper bills of credit to be redeemed fifteen years after their date, and in the mean time made transferable from hand to hand like bank notes, and declared by act of assembly to be a legal tender in all payments from one inhabitant of the province to another, it raised a moderate revenue, which went a considerable way towards defraying an annual expense of about 4500l. the whole ordinary expense of that frugal and orderly government. The success of an expedient of this kind must have depended upon three different circumstances; first, upon the demand for some other instrument of commerce, besides gold and silver money, or upon the demand for such a quantity of consumable stock as could not be had without lending abroad the greater part of their gold and silver money, in order to purchase it; secondly, upon the good credit of the government which made sale of this expedient; and, thirdly, upon the moderation with

* See id. ibid.
which it was used, the whole value of the paper bills of credit never exceeding that of the gold and silver money which would have been necessary for carrying on their circulation had there been no paper bills of credit. The same expedient was upon different occasions adopted by several other American colonies; but, from want of this moderation, it produced, in the greater part of them, much more disorder than conveniency.

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

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

War and the preparation for war, are the two circumstances which in modern times occasion the greater part of the necessary expence of all great states. But in the antient republics of Greece and Italy every citizen was a soldier, who both served and prepared himself for service at his own expence. Neither of those two circumstances, therefore, could occasion any very considerable expence to the state. The rent of a very moderate landed
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estate might be fully sufficient for defraying all the other necessary expenses of government.

In the antient monarchies of Europe, the manners and customs of the times sufficiently prepared the great body of the people for war; and when they took the field they were, by the condition of their feudal tenures, to be maintained either at their own expence, or at that of their immediate lords, without bringing any new charge upon the sovereign. The other expences of government were, the greater part of them, very moderate. The administration of justice, it has been shown, instead of being a cause of expence, was a source of revenue. The labour of the country people for three days before and for three days after harvest, was thought a fund sufficient for making and maintaining all the bridges, highways, and other public works which the commerce of the country was supposed to require. In those days the principal expence of the sovereign seems to have consisted in the maintenance of his own family and household. The officers of his household, accordingly, were then the great officers of state. The lord treasurer received his rents. The lord steward and lord chamberlain looked after the expence of his family. The care of his stables was committed to the lord constable and the lord marshal. His houses were all built in the form of castles, and seem to have been the principal fortresses which he possessed. The keepers of those houses or castles might be considered as a fort of military governors. They seem to have been the only military officers whom it was necessary to maintain in time of peace. In those circumstances the rent of a great landed estate might, upon ordinary occasions, very well defray all the necessary expenses of government.

In the present state of the greater part of the civilized monarchies of Europe, the rent of all the lands in the country, managed
managed as they probably would be if they all belonged to one proprietor, would scarce perhaps amount to the ordinary revenue which they levy upon the people even in peaceable times. The ordinary revenue of Great Britain, for example, including not only what is necessary for defraying the current expence of the year, but for paying the interest of the public debts, and for sinking a part of the capital of those debts, amounts to upwards of ten millions a year. But the land-tax, at four shillings in the pound, falls short of two millions a year. This land-tax, as it is called, however, is supposed to be one-fifth, not only of the rent of all the land, but of that of all the houses, and of the interest of all the capital stock of Great Britain, that part of it only excepted which is either lent to the public, or employed as farming stock in the cultivation of land. A very considerable part of the produce of this tax arises from the rent of houses, and the interest of capital stock. The land-tax of the city of London, for example, at four shillings in the pound, amounts to 123,399 l. 6s. 7d. That of the city of Westminster, to 63,092 l. 1s. 5d. That of the palaces of Whitehall and St. James's, to 30,754 l. 6s. 3d. A certain proportion of the land-tax is in the same manner assessed upon all the other cities and towns corporate in the kingdom, and arises almost altogether either from the rent of houses or from what is supposed to be the interest of trading and capital stock. According to the estimation, therefore, by which Great Britain is rated to the land-tax, the whole mass of revenue arising from the rent of all the lands, from that of all the houses, and from the interest of all the capital stock, that part of it only excepted which is either lent to the public or employed in the cultivation of land, does not exceed ten millions sterling a year, the ordinary revenue which government levies upon the people even in peaceable times. The estimation by which Great Britain is rated to the land-tax is, no doubt, taking the whole kingdom at an average, very much below the real value; though in several par-

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ticular
particular counties and districts it is said to be nearly equal to that value. The rent of the lands alone, exclusive of that of houses, and of the interest of stock, has by many people been estimated at twenty millions, an estimation made in a great measure at random, and which, I apprehend, is as likely to be above as below the truth. But if the lands of Great Britain, in the present state of their cultivation, do not afford a rent of more than twenty millions a year, they could not well afford the half, most probably not the fourth part of that rent, if they all belonged to a single proprietor, and were put under the negligent, expensive, and oppressive management of his factors and agents. The crown lands of Great Britain do not at present afford the fourth part of the rent which could probably be drawn from them if they were the property of private persons. If the crown lands were more extensive, it is probable they would be still worse managed.

The revenue which the great body of the people derives from land is in proportion, not to the rent, but to the produce of the land. The whole annual produce of the land of every country, if we except what is reserved for seed, is either annually consumed by the great body of the people, or exchanged for something else that is consumed by them. Whatever keeps down the produce of the land below what it would otherwise rise to, keeps down the revenue of the great body of the people still more than it does that of the proprietors of land. The rent of land, that portion of the produce which belongs to the proprietors, is scarce any where in Great Britain supposed to be more than a third part of the whole produce. If the land, which in one state of cultivation affords a rent of ten millions sterling a year, would in another afford a rent of twenty millions; the rent being, in both cases, supposed a third part of the produce, the revenue of the proprietors would be less than it otherwise might be by ten millions a year only; but the revenue of the great body of the peo-
ple would be less than it otherwise might be by thirty millions a year, deducting only what would be necessary for feed. The population of the country would be less by the number of people which thirty millions a year, deducting always the feed, could maintain, according to the particular mode of living and expence which might take place in the different ranks of men among whom the remainder was distributed.

Though there is not at present, in Europe, any civilized state of any kind which derives the greater part of its public revenue from the rent of lands which are the property of the state; yet, in all the great monarchies of Europe, there are still many large tracts of land which belong to the crown. They are generally forested and sometimes forested where, after travelling several miles, you will scarce find a single tree; a mere waste and loss of country in respect both of produce and population. In every great monarchy of Europe the sale of the crown lands would produce a very large sum of money, which, if applied to the payment of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to the crown. In countries where lands, improved and cultivated very highly, and yielding at the time of sale as great a rent as can easily be got from them, commonly fell at thirty years purchase; the unimproved, uncultivated, and low-rented crown lands might well be expected to fall at forty, fifty, or sixty years purchase. The crown might immediately enjoy the revenue which this great price would redeem from mortgage. In the course of a few years it would probably enjoy another revenue. When the crown lands had become private property, they would, in the course of a few years, become well-improved and well-cultivated. The increase of their produce would increase the population of the country, by augmenting the revenue and consumption of the people. But the revenue which the crown derives
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derives from the duties of customs and excise, would necessarily increase with the revenue and consumption of the people.

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

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

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

PART II.

Of Taxes.

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

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

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

II. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the power of the tax-gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favours the corruption of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

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

IV. Every
IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways. First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people. Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay, it may thus diminish, or perhaps destroy some of the funds, which might enable them more easily to do so. Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have received from the employment of their capitals. An injudicious tax offers a great temptation to smuggling. But the penalties of smuggling must rise in proportion to the temptation. The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it; and it commonly enhances the punishment too in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime*. Fourthly, by subjecting the people to the frequent visits, and the odious examination of the tax-gatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. It is in some one or other of these four different ways that taxes are frequently so much more burdensome to the people than they are beneficial to the sovereign.

* See Sketches of the History of Man, page 474, & seq.
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The evident justice and utility of the foregoing maxims have recommended them more or less to the attention of all nations. All nations have endeavoured, to the best of their judgement, to render their taxes as equal, as certain, as convenient to the contributor, both in the time and in the mode of payment, and, in proportion to the revenue which they brought to the prince, as little burdensome to the people as they could contrive. The following short review of some of the principal taxes which have taken place in different ages and countries will show that the endeavours of all nations have not in this respect been equally successful.

ARTICLE I.

Taxes upon Rent. Taxes upon the Rent of Land.

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

A LAND tax which, like that of Great Britain, is imposed according to a certain invariable canon, though it should be equal at the time of its first establishment, necessarily becomes unequal in process of time according to the unequal degrees of improvement or neglect in the cultivation of the different parts of the country. In England, the valuation according to which the different counties and parishes were assessed to the land-tax by the 4th of William and Mary was very unequal even at its first establishment. This tax, therefore, so far offends against the first of the four maxims above-mentioned. It is perfectly agreeable to the other three. It is perfectly certain. The time of payment for the tax, being the same as that for the rent, is as convenient
convenient as it can be to the contributor. Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in the payment of the rent. This tax is levied by a much smaller number of officers than any other which affords nearly the same revenue. As the tax does not rise with the rise of the rent, the sovereign does not share in the profits of the landlord’s improvements. The tax, therefore, does not discourage those improvements, nor keep down the produce of the land below what it would otherwise rise to. As it has no tendency to diminish the quantity, it can have none to raise the price of that produce. It does not obstruct the industry of the people. It subjects the landlord to no other inconvenience besides the unavoidable one of paying the tax.

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

It has been owing in part to the great prosperity of almost every part of the country, the rents of almost all the estates of Great Britain having, since the time when this valuation was first established, been continually rising, and scarce any of them having fallen. The landlords, therefore, have almost all gained the difference between the tax which they would have paid, according to the present rent of their estates, and that which they actually pay according to the ancient valuation. Had the state of the country been different, had rents been gradually falling in consequence of the declension of cultivation, the landlords would almost all have lost this difference. In the state of things which has happened to take place since the revolution, the constancy of the valuation has been advantageous to the landlord and hurtful to the sovereign. In a different state of things
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it might have been advantageous to the sovereign and hurtful to
the landlord.

As the tax is made payable in money, so the valuation of the
land is expressed in money. Since the establishment of this
valuation the value of silver has been pretty uniform, and there
has been no alteration in the standard of the coin either as to
weight or fineness. Had silver risen considerably in its value, as it
seems to have done in the course of the two centuries which
preceded the discovery of the mines of America, the constancy of
the valuation might have proved very oppressive to the landlord.
Had silver fallen considerably in its value, as it certainly did for
about a century at least after the discovery of those mines, the same
constancy of valuation would have reduced very much this branch
of the revenue of the sovereign. Had any considerable alteration
been made in the standard of the money, either by sinking the
same quantity of silver to a lower denomination, or by raising it to
a higher; had an ounce of silver, for example, instead of being
coined into five shillings and twopenny, been coined either into
pieces which bore so low a denomination as two shillings and
seven-pence, or into pieces which bore so high a one as ten shillings
and fourpence, it would in the one case have hurt the revenue
of the proprietor, in the other that of the sovereign.

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

A tax upon the rent of land which varies with every variation of the rent, or which rises and falls according to the improvement or neglect of cultivation, is recommended by that sect of men of letters in France, who call themselves, the oeconomists, as the most equitable of all taxes. All taxes, they pretend, fall ultimately upon the rent of land, and ought therefore to be imposed equally upon the fund which must finally pay them. That all taxes ought to fall as equally as possible upon the fund which must finally pay them, is certainly true. But without entering into the disagreeable discussion of the metaphysical arguments by which they support their very ingenious theory, it will sufficiently appear from the following review, what are the taxes which fall finally upon the rent of the land, and what are those which fall finally upon some other fund.

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

A land-tax of this kind is certainly more equal than the land-tax of England. It might not perhaps be altogether for certain, and the assessment of the tax might frequently occasion a

good deal more trouble to the landlord. It might too be a good
deal more expensive in the levying.

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

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

Some landlords, instead of raising the rent, take a fine for the
renewal of the lease. This practice is in most cases the expedient
of a spendthrift, who for a sum of ready money sells a future reve-

nu of much greater value. It is in most cases, therefore, hurtful
to the landlord. It is frequently hurtful to the tenant, and it is
always hurtful to the community. It frequently takes from the
tenant so great a part of his capital, and thereby diminishes so
much his ability to cultivate the land, that he finds it more difficult
to pay a small rent than it would otherwise have been to pay a great
one. Whatever diminishes his ability to cultivate, necessarily keeps
down below what it would otherwise have been the most important
part of the revenue of the community. By rendering the tax
upon such fines a good deal heavier than upon the ordinary rent,
this hurtful practice might be discouraged to the no small advantage
of all the different parties concerned, of the landlord, of the tenant, of the sovereign, and of the whole community.

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

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

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

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

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

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

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

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

In all the variations of the state of the society, in the improvement and in the declension of agriculture; in all the variations in the value of silver, and in all those in the standard of the coin, a tax of this kind would, of its own accord and without any attention of government, readily suit itself to the actual situation of things, and would be equally just and equitable in all those different changes. It would, therefore, be much more proper to be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the common-wealth, than any tax which was always to be levied according to a certain valuation.

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

In the antient dominions of the king of Prussia the land-tax is assessed according to an actual survey and valuation, which is reviewed and altered from time to time*. According to that valuation the lay proprietors pay from twenty to twenty-five per cent. of their revenue. Ecclesiastics from forty to forty-five per cent. The survey and valuation of Silesia was made by order of the present king; it is said with great accuracy. According to that valuation the lands belonging to the bishop of Breslaw are taxed at twenty-five per cent. of their rent. The other revenues of the ecclesiastics of both religions, at fifty per cent. The commanderies of the Teutonic order and of that of Malta, at forty per cent. Lands held by a noble tenure, at thirty-eight and one-third per cent. Lands held by a base tenure, at thirty-five and one-third per cent.

The survey and valuation of Bohemia is said to have been the work of more than a hundred years. It was not perfected till after the peace of 1748, by the orders of the present empress queen†. The survey of the duchy of Milan, which was begun in the time of Charles VI. was not perfected till after 1760. It is esteemed one of the most accurate that has ever been made. The survey of Savoy and Piemont was executed under the orders of the late king of Sardinia‡.

† Id. p. 83, 84
‡ Id. p. 286, &c. alio p. 287, &c. id. 316.
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In the dominions of the king of Prussia the revenue of the church is taxed much higher than that of lay proprietors. The revenue of the church is, the greater part of it, a burden upon the rent of land. It seldom happens that any part of it is applied towards the improvement of land; or is so employed as to contribute in any respect towards increasing the revenue of the great body of the people. His Prussian majesty had probably, upon that account, thought it reasonable that it should contribute a good deal more towards relieving the exigencies of the state. In some countries the lands of the church are exempted from all taxes. In others they are taxed more lightly than other lands. In the duchy of Milan, the lands which the church possessed before 1575, are rated to the tax at a third only of their value.

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

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

In 1666, the generality of Montauban was assessed to the real or predial taille according, it is said, to a very exact survey and valuation *. By 1727, this assessment had become altogether unequal. In order to remedy this inconvenience, government has found no better expedient than to impose upon the whole generality an additional tax of a hundred and twenty thousand livres. This additional tax is rated upon all the different districts subject to the taille according to the old assessment. But it is levied only upon those which in the actual state of things are by that assessment under-taxed, and it is applied to the relief of those which by the same assessment are over-taxed. Two districts, for example, one of which ought in the actual state of things to be taxed at nine hundred, the other at eleven hundred livres, are by the old assessment both taxed at a thousand livres. Both these districts are by the additional tax rated at eleven hundred livres each. But this additional tax is levied only upon the district undercharged, and it is applied altogether to the relief of that overcharged, which consequently pays only nine hundred livres. The government neither gains nor loses by the additional tax, which is applied altogether to remedy the inequalities arising from the old assessment. The application is pretty much regulated according to the discretion of the intendant of the generality, and must, therefore, be in a great measure arbitrary.

* Id. tome iii. p. 139. &c.

Taxes.
Taxes which are proportioned, not to the Rent, but to the produce of Land.

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

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

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

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

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

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

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

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

When, instead either of a certain portion of the produce of land, or of the price of a certain portion, a certain sum of money is to be paid in full compensation for all tax or tythe, the tax becomes, in this case, exactly of the same nature with the land-tax of England. It neither rises nor falls with the rent of the land. It neither encourages nor discourages improvement. The tythe in the greater part of those parishes which pay what is called a Modus in lieu of all other tythe, is a tax of this kind. During the Mahometan government of Bengal, instead of the payment in kind of a fifth part of the produce, a modus, and, it is said, a very moderate one, was established in the greater part of the districts or zemindaries of the country. Some of the servants of the East India company, under pretence of restoring the public revenue to its proper value, have, in some provinces, exchanged this modus for a payment in kind. Under their management this change is likely both to discourage cultivation, and to give new opportunities for abuse in the collection of the public revenue, which has fallen very much below what it was said to have been when it first fell under the management of the company. The servants of the company may, perhaps, have profited by this change, but at the expense, it is probable, both of their masters and of the country.

Taxes upon the Rent of Houses.

The rent of a house may be distinguished into two parts, of which the one may very properly be called the building rent; the other is commonly called the ground rent.
The building rent is the interest or profit of the capital expended in building the house. In order to put the trade of a builder upon a level with other trades, it is necessary that this rent should be sufficient, first, to pay him the same interest which he would have got for his capital if he had lent it upon good security; and, secondly, to keep the house in constant repair, or, what comes to the same thing, to replace, within a certain term of years, the capital which had been employed in building it. The building rent, or the ordinary profit of building, is, therefore, every where regulated by the ordinary interest of money. Where the market rate of interest is four per cent., the rent of a house which, over and above paying the ground rent, affords six, or six and a half per cent., upon the whole expense of building, may perhaps afford a sufficient profit to the builder. Where the market rate of interest is five per cent., it may perhaps require seven or seven and a half per cent. If, in proportion to the interest of money, the trade of the builder affords at any time a much greater profit than this, it will soon draw so much capital from other trades as will reduce the profit to its proper level. If it affords at any time much less than this, other trades will soon draw so much capital from it as will again raise that profit.

Whatever part of the whole rent of a house is over and above what is sufficient for affording this reasonable profit, naturally goes to the ground-rent; and where the owner of the ground and the owner of the building are two different persons, is, in most cases, completely paid to the former. This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation. In country houses, at a distance from any great town, where there is plenty of ground to choose upon, the ground rent is scarce any thing, or no more than what the ground which the house stands upon would pay if employed in agriculture.
agriculture. In country villas in the neighbourhood of some great town, it is sometimes a good deal higher; and the peculiar convenience or beauty of situation is there frequently very well paid for. Ground rents are generally highest in the capital, and in those particular parts of it where there happens to be the greatest demand for houses, whatever be the reason of that demand, whether for trade and business, for pleasure and society, or for mere vanity and fashion.

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

Let us suppose, for example, that a particular person judges that he can afford for house-rent an expense of sixty pounds a year; and let us suppose too that a tax of four shillings in the pound, or of one-fifth, payable by the inhabitant, is laid upon house-rent. A house of sixty pounds rent will in this case cost him seventy-two pounds a year, which is twelve pounds more than he thinks he can afford. He will, therefore, content himself with a worse house, or a house of fifty pounds rent, which, with the additional ten pounds that he must pay for the tax, will make up the sum of sixty pounds a year, the expense which he judges he can afford; and in order to pay the tax he will give up a part of the additional convenience which he might have had from a house of ten pounds a year more rent. He will give up, I say, a part of this
this additional conveniency; for he will seldom be obliged to give up the whole, but will, in consequence of the tax, get a better house for fifty pounds a year, than he could have got if there had been no tax. For as a tax of this kind, by taking away this particular competitor, must diminish the competition for houses of sixty pounds rent, so it must likewise diminish it for those of fifty pounds rent, and in the same manner for those of all other rents, except the lowest rent, for which it would for some time increase the competition. But the rents of every class of houses for which the competition was diminished, would necessarily be more or less reduced. As no part of this reduction, however, could, for any considerable time at least, affect the building rent; the whole of it must in the long-run necessarily fall upon the ground-rent. The final payment of this tax, therefore, would fall, partly upon the inhabitant of the house, who, in order to pay his share, would be obliged to give up a part of his conveniency; and partly upon the owner of the ground, who, in order to pay his share, would be obliged to give up a part of his revenue. In what proportion this final payment would be divided between them, it is not perhaps very easy to ascertain. The division would probably be very different in different circumstances, and a tax of this kind might, according to those different circumstances, affect very unequally both the inhabitant of the house and the owner of the ground.

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

The rent of houses, though it in some respects resembles the rent of land, is in one respect essentially different from it. The rent of land is paid for the use of a productive subject. The land which pays it produces it. The rent of houses is paid for the use of an unproductive subject. Neither the house nor the ground which it stands upon produce any thing. The person who pays the rent, therefore, must draw it from some other source of revenue, distinct from, and independent of, this subject. A tax upon the rent of houses, so far as it falls upon the inhabitants, must be drawn from the same source as the rent itself, and must be paid from their revenue, whether derived from the wages of labour, the profits of stock, or the rent of land. So far as it falls upon the inhabitants, it is one of those taxes which fall, not upon one only, but indifferently upon all the three different sources of revenue; and is in every respect of the same nature as a tax upon any other sort of consumable commodities. In general there is not, perhaps, any one article of expence or consumption by which the liberality or narrowness of a man's whole expence can be better judged of, than by his house-rent. A proportional tax upon this
this particular article of expense might, perhaps, produce a more considerable revenue than any which has hitherto been drawn from it in any part of Europe. If the tax indeed was very high, the greater part of people would endeavour to evade it as much as they could, by contenting themselves with smaller houses, and by turning the greater part of their expense into some other channel.

The rent of houses might easily be ascertained with sufficient accuracy, by a policy of the same kind with that which would be necessary for ascertaining the ordinary rent of land. Houses not inhabited ought to pay no tax. A tax upon them would fall altogether upon the proprietor, who would thus be taxed for a subject which afforded him neither convenience nor revenue. Houses inhabited by the proprietor ought to be rated, not according to the expense which they might have cost in building, but according to the rent which an equitable arbitration might judge them likely to bring, if leased to a tenant. If rated according to the expense which they may have cost in building, a tax of three or four shillings in the pound, joined with other taxes, would ruin almost all the rich and great families of this, and, I believe, of every other civilized country. Whoever will examine, with attention, the different town and country houses of some of the richest and greatest families in this country, will find that, at the rate of only six and a half, or seven per cent. upon the original expense of building, their house-rent is nearly equal to the whole neat rent of their estates. It is the accumulated expense of several successive generations, laid out upon objects of great beauty and magnificence, indeed; but, in proportion to what they cost, of very small exchangeable value.

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

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

Ground-rents seem, in this respect, a more proper subject of
peculiar taxation than even the ordinary rent of land. The ordi-
nary rent of land is, in many cases, owing partly at least to the
attention
attention and good management of the landlord. A very heavy tax might discourage too much this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people, or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund which owes its existence to the good government of the state, should be taxed peculiarly, or should contribute something more than the greater part of other funds towards the support of that government.

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

In Great Britain the rent of houses is supposed to be taxed in the same proportion as the rent of land, by what is called the annual land tax. The valuation, according to which each different parish and district is assessed to this tax, is always the same. It was originally extremely unequal, and it still continues to be so. Through the greater part of the kingdom this tax falls still more lightly upon the rent of houses than upon that of land. In some few districts only, which were originally rated high, and in which the
rents of houses have fallen considerably, the land tax of three or four shillings in the pound, is said to amount to an equal proportion of the real rent of the houses. Un十anted houses, though by law subject to the tax, are, in most districts, exempted from it by the favour of the aileffors; and this exemption sometimes occasions some little variation in the rate of particular houses, though that of the district is always the same.

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

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

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

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

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

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

The natural tendency of the window-tax, and of all other taxes upon houses, is to lower rents. The more a man pays for the tax, the less, it is evident, he can afford to pay for the rent. Since the imposition of the window-tax, however, the rents of houses have upon the whole risen, more or less, in almost every town and village of Great Britain with which I am acquainted. Such has been almost every where the increase of the demand for houses, that it has raised the rents more than the window-tax could sink them; one of the many proofs of the great prosperity of the country, and of the increasing revenue of its inhabitants. Had it not been for the tax, rents would probably have risen still higher.

**Article II.**

*Taxes upon Profit, or upon the Revenue arising from Stock.*

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

This latter part of profit is evidently a subject not taxable directly. It is the compensation, and in most cases it is no more than a very moderate compensation, for the risk and trouble of employing the stock. The employer must have this compensation, otherwise he cannot, consistently with his own interest, continue the employment. If he was taxed directly, therefore, in proportion to the whole profit, he would be obliged either to raise
raise the rate of his profit, or to charge the tax upon the interest of money; that is, to pay less interest. If he raised the rate of his profit in proportion to the tax, the whole tax, though it might be advanced by him, would be finally paid by one or other of two different sets of people, according to the different ways in which he might employ the stock of which he had the management. If he employed it as a farming stock in the cultivation of land, he could raise the rate of his profit only by retaining a greater portion, or, what comes to the same thing, the price of a greater portion of the produce of the land; and as this could be done only by a reduction of rent, the final payment of the tax would fall upon the landlord. If he employed it as a mercantile or manufacturing stock, he could raise the rate of his profit only by raising the price of his goods; in which case the final payment of the tax would fall altogether upon the consumers of those goods. If he did not raise the rate of his profit, he would be obliged to charge the whole tax upon that part of it which was allotted for the interest of money. He could afford less interest for whatever stock he borrowed, and the whole weight of the tax would in this case fall ultimately upon the interest of money. So far as he could not relieve himself from the tax in the one way, he would be obliged to relieve himself in the other.

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

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

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

Secondly, land is a subject which cannot be removed; whereas stock easily may. The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business or enjoy his fortune more at his ease. By removing his stock he would put an end to all the industry which it had maintained in the country which he left. Stock cultivates land, stock employs labour. A tax which tended to drive away stock from any particular country, would so far tend to dry up every source of revenue, both to the sovereign and to the society. Not only the profits of stock, but the rent of land and the wages of labour, would necessarily be more or less diminished by its removal.

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

By what is called the land-tax in England, it was intended that stock should be taxed in the same proportion as land.
When the tax upon land was at four shillings in the pound, or at one-fifth of the supposed rent, it was intended that stock should be taxed at one-fifth of the supposed interest. When the present annual land-tax was first imposed, the legal rate of interest was six per cent. Every hundred pounds stock, accordingly, was supposed to be taxed at twenty-four shillings, the fifth part of six pounds. Since the legal rate of interest has been reduced to five per cent., every hundred pounds stock is supposed to be taxed at twenty shillings only. The sum to be raised, by what is called the land-tax, was divided between the country and the principal towns. The greater part of it was laid upon the country; and of what was laid upon the towns, the greater part was assessed upon the houses. What remained to be assessed upon the stock or trade of the towns (for the stock upon the land was not meant to be taxed) was very much below the real value of that stock or trade. Whatever inequalities, therefore, there might be in the original assessment, gave little disturbance. Every parish and district still continues to be rated for its land, its houses, and its stock, according to the original assessment; and the almost universal prosperity of the country, which in most places has raised very much the value of all these, has rendered those inequalities of still less importance now. The rate too upon each district continuing always the same, the uncertainty of this tax, so far as it might be assessed upon the stock of any individual, has been very much diminished, as well as rendered of much less consequence. If the greater part of the lands of England are not rated to the land-tax at half their actual value, the greater part of the stock of England is perhaps scarce rated at the fifteenth part of its actual value. In some towns the whole land-tax is assessed upon houses; as in Westminster, where stock and trade are free. It is otherwise in London.
In all countries a severe inquisition into the circumstances of private persons has been carefully avoided.

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

The canton of Underwald in Switzerland is frequently ravaged by storms and inundations, and is thereby exposed to extraordinary expenses. Upon such occasions the people assemble, and every one is said to declare with the greatest frankness what he is worth, in order to be taxed accordingly. At Zürich the law orders that in cases of necessity every one should be taxed in proportion to his revenue; the amount of which he is obliged to declare upon oath. They have no suspicion, it is said, that any of their fellow citizens will deceive them. At Basil the principal revenue of the state arises from a small custom upon goods exported. All the citizens make oath that they will pay every three months all the taxes imposed by the law. All merchants and even all inn-keepers are trusted with keeping themselves the

* Mémoires concernant les Droits, tome i. p. 74.
account of the goods which they sell either within or without the
territory. At the end of every three months they send this account
to the treasurer, with the amount of the tax computed at the bottom
of it. It is not suspected that the revenue suffers by this con-
didence *.

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

In Holland, soon after the exaltation of the late prince of Orange
to the Stadtholdership, a tax of two per cent. of the fiftieth penny,
as it was called, was imposed upon the whole substance of every
citizen. Every citizen assessed himself and paid his tax in the
same manner as at Hamburg; and it was in general supposed to
have been paid with great fidelity. The people had at that time the
greatest affection for their new government, which they had just esta-
blished by a general insurrection. The tax was to be paid but once;
in order to relieve the state in a particular exigency. It was, indeed,
too heavy to be permanent. In a country where the market rate of
interest seldom exceeds three per cent., a tax of two per cent. amounts
to thirteen shillings and fourpence in the pound upon the highest
meat revenue, which is commonly drawn from stock. It is a tax.

* Id., tome i. p. 153, 166, 171.
which very few people could pay without encroaching more or less upon their capitals. In a particular exigency the people may, from great public zeal, make a great effort, and give up even a part of their capital in order to relieve the state. But it is impossible that they should continue to do so for any considerable time; and if they did, the tax would soon ruin them so completely as to render them altogether incapable of supporting the state.

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

Taxes upon the Profit of particular Employments.

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

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

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

A tax of this kind, when it is proportioned to the trade of the dealer, is finally paid by the consumer, and occasion no oppression to the dealer. When it is not so proportioned, but is the same upon all dealers, though in this case too it is finally paid by the consumer, yet it favours the great, and occasions some oppression to the small dealer. The tax of five shillings a week upon every hackney coach, and that of ten shillings a year, upon every hackney chair, so far as it is advanced by the different keepers of such coaches and chairs, is exactly enough proportioned to the extent of their respective dealings. It neither favours the great, nor oppresses the smaller dealer. The tax of twenty shillings a year for a licence to sell ale; of forty shillings for a licence to sell spirituous liquors; and of forty shillings more for a licence to sell wine; being the same upon all retailers, must necessarily give some advantage to the great, and occasion some oppression to the small dealers. The former must find it more easy to get back the tax in the price of their goods than the latter. The moderation of the tax, however, renders this inequality of less importance, and it may to many people appear not improper to give some discouragement to the multiplication of little ale-houses. The tax upon shops, it was intended, should be the same upon all shops. It could not well have been otherwise. It would.
would have been impossible to proportion with tolerable exactness the tax upon a shop to the extent of the trade carried on in it, without such an inquisition, as would have been altogether insupportable in a free country. If the tax had been considerable, it would have oppressed the small, and forced almost the whole retail trade into the hands of the great dealers. The competition of the former being taken away, the latter would have enjoyed a monopoly of the trade; and like all other monopolists would soon have combined to raise their profits much beyond what was necessary for the payment of the tax. The final payment, instead of falling upon the shopkeeper, would have fallen upon the consumer, with a considerable over-charge to the profit of the shopkeeper. For these reasons, the project of a tax upon shops was laid aside, and in the room of it was substituted the subsidy. 1759.

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

In the disordered state of Europe during the prevalence of the feudal government, the sovereign was obliged to content himself with taxing those who were too weak to refuse to pay taxes. The great lords, though willing to assist him upon particular emergencies, refused to subject themselves to any constant tax, and he was not strong enough to force them. The occupiers of land, all over Europe, were the greater part of them originally bond-men. Through the greater part of Europe they were gradually emancipated. Some of them acquired the property of landed estates which they held by some base or ignoble tenure, sometimes under the king, and sometimes under some other great lord, like the ancient copy-holders of England. Others, without acquiring the property, obtained leases for terms of years of the lands which they occupied.
THE NATURE AND CAUSES OF

BOOK V.

ied under their lord, and thus became less dependent upon him. The great lords seem to have beheld the degree of prosperity and independency which this inferior order of men had thus come to enjoy, with malignant and contemptuous indignation, and willingly consented that the sovereign should tax them. In some countries this tax was confined to the lands which were held in property by an ignoble tenure; and, in this case, the taille was said to be real. The land-tax established by the late king of Sardinia, and the taille in the provinces of Languedoc, Provence, Dauphiné, and Brittany; in the generality of Montauban, and in the elections of Agen and Condom, as well as in some other districts of France, are taxes upon lands held in property by an ignoble tenure. In other countries the tax was laid upon the supposed profits of all those who held in farm or lease lands belonging to other people, whatever might be the tenure by which the proprietor held them; and in this case the taille was said to be personal. In the greater part of those provinces of France, which are called the Countries of Elections, the taille is of this kind. The real taille, as it is imposed only upon a part of the lands of the country, is necessarily unequal, but it is not always an arbitrary tax, though it is so upon some occasions. The personal taille, as it is intended to be proportioned to the profits of a certain class of people, which can only be guessed at, is necessarily both arbitrary and unequal.

In France the personal taille at present, (1775,) annually imposed upon the twenty generalities, called the Countries of Elections, amounts to 40,107,239 livres, 16 sous*. The proportion in which this sum is assessed upon those different provinces, varies from year to year, according to the reports which are made to the king's council concerning the goodness or badness of the crop, as well as other circumstances which may either increase or diminish their respective

* Mémoires concernant les Droits, &c. tome ii. p. 17.
respectively abilities to pay. Each generality is divided into a certain number of elections, and the proportion in which the sum imposed upon the whole generality is divided among those different elections, varies likewise from year to year, according to the reports made to the council concerning their respective abilities. It seems impossible that the council, with the best intentions, can ever proportion with tolerable exactness, either of those two assessments to the real abilities of the province or district upon which they are respectively laid. Ignorance and misinformation must always, more or less, mislead the most upright council. The proportion which each parish ought to support of what is assessed upon the whole election, and that which each individual ought to support of what is assessed upon his particular parish, are both in the same manner varied, from year to year, according as circumstances are supposed to require. These circumstances are judged of, in the one case, by the officers of the election; in the other by those of the parish; and both the one and the other are, more or less, under the direction and influence of the intendant. Not only ignorance and misinformation, but friendship, party, animosity, and private resentment, are said frequently, to mislead such assessors. No man subject to such a tax, it is evident, can ever be certain, before he is assessed, of what he is to pay. He cannot even be certain after he is assessed. If any person has been taxed, who ought to have been exempted; or if any person has been taxed beyond his proportion, though both must pay in the mean time, yet if they complain and make good their complaints, the whole parish is reimposed next year in order to reimburse them. If any of the contributors become bankrupt or insolvent, the collector is obliged to advance his tax, and the whole parish is reimposed next year in order to reimburse the collector. If the collector himself should become bankrupt, the parish which elects him must answer for his conduct to the receiver-general of the election. But, as it might be troublesome for the receivers,
receiver to prosecute the whole parish; he takes at his choice five or six of the richest contributors, and obliges them to make good what had been lost by the insolvency of the collector. The parish is afterwards reimposed in order to reimburse those five or six. Such reimpositions are always over and above the taille of the particular year in which they are laid on.

When a tax is imposed upon the profits of stock in a particular branch of trade, the traders are all careful to bring no more goods to market than what they can sell at a price sufficient to reimburse them for advancing the tax. Some of them withdraw a part of their stocks from the trade, and the market is more sparingly supplied than before. The price of the goods rises, and the final payment of the tax falls upon the consumer. But when a tax is imposed upon the profits of stock employed in agriculture, it is not the interest of the farmers to withdraw any part of their stock from that employment. Each farmer occupies a certain quantity of land, for which he pays rent. For the proper cultivation of this land a certain quantity of stock is necessary; and by withdrawing any part of this necessary quantity, the farmer is not likely to be more able to pay either the rent or the tax. In order to pay the tax, it can never be his interest to diminish the quantity of his produce, nor consequently to supply the market more sparingly than before. The tax, therefore, will never enable him to raise the price of his produce, nor to reimburse himself by throwing the final payment upon the consumer. The farmer, however, must have his reasonable profit as well as every other dealer, otherwise he must give up the trade. After the imposition of a tax of this kind, he can get this reasonable profit only by paying less rent to the landlord. The more he is obliged to pay in the way of tax, the less he can afford to pay in the way of rent. A tax of this kind imposed during the currency of a lease may, no doubt, distress or ruin the farmer.
farmer. Upon the renewal of the lease it must always fall upon the landlord.

In the countries where the personal taille takes place, the farmer is commonly assessed in proportion to the stock which he appears to employ in cultivation. He is, upon this account, frequently afraid to have a good team of horses or oxen, but endeavours to cultivate with the meanest and most wretched instruments of husbandry that he can. Such is his distress in the justice of his affairs, that he counterfeits poverty, and wishes to appear scarce able to pay any thing for fear of being obliged to pay too much. By this miserable policy he does not, perhaps, always consult his own interest in the most effectual manner; and he probably loses more by the diminution of his produce than he saves by that of his tax. Though, in consequence of this wretched cultivation the market is, no doubt, somewhat worse supplied; yet the small rise of price which this may occasion, as it is not likely even to indemnify the farmer for the diminution of his produce, it is still less likely to enable him to pay more rent to the landlord. The public, the farmer, the landlord, all suffer more or less by this degraded cultivation. That the personal taille tends, in many different ways, to discourage cultivation, and consequently to dry up the principal source of the wealth of every great country, I have already had occasion to observe in the third book of this inquiry.

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

The nature and causes of taxes of so much a head upon the bondmen employed in cultivation, seem antiently to have been common all over Europe. There subsists at present a tax of this kind in the empire of Russia. It is probably upon this account that poll-taxes of all kinds have often been represented as badges of slavery. Every tax, however, is to the person who pays it a badge, not of slavery, but of liberty. It denotes that he is subject to government, indeed, but that, as he has some property, he cannot himself be the property of a master.

A poll-tax upon slaves is altogether different from a poll-tax upon freemen. The latter is paid by the persons upon whom it is imposed; the former by a different set of persons. The latter is either altogether arbitrary or altogether unequal, and in most cases is both the one and the other; the former, though in some respects unequal, different slaves being of different values, is in no respect arbitrary. Every master who knows the number of his own slaves, knows exactly what he has to pay. Those different taxes, however, being called by the same name, have been considered as of the same nature.

Taxes upon the profits of stock in particular employments can never affect the interest of money. Nobody will lend his money for less interest to those who exercise the taxed, than to those who exercise the untaxed employments. Taxes upon the revenue arising from stock in all employments, where the government attempts to levy them with any degree of exactness, will, in many cases, fall upon the interest of money. The Vingtime or twentieth-penny in France, is a tax of the same kind with what is called the land-tax in England, and is assessed, in the same manner, upon the revenue arising from land, houses, and stock. So far as it affects stock, it is assessed, though not with great rigour, yet with much more exactness than that part of the land-tax of England which is imposed upon the same fund. It, in many cases, falls altogether upon the interest
THE WEALTH OF NATIONS.

reft of money. Money is frequently sunk in France upon what are called Contracds for the constitution of a rent, that is, perpe-
tual annuities redeemable at any time by the debtor upon repay-
ment of the sum originally advanced, but of which this redemption
is not exigible by the creditor except in particular cases. The ving-
tièmee seems not to have raised the rate of those annuities, though
it is exactly levied upon them all.

APPENDIX TO ARTICLES I. AND II.

Taxes upon the capital Value of Land, Houses, and Stock.

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

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

2 certain
certain stamp-duty, otherwise not to be valid; secondly, by requiring, under the like penalty of invalidity, that it should be recorded either in a public or secret register, and by imposing certain duties upon such registration. Stamp-duties and duties of registration have frequently been imposed likewise upon the deeds transferring property of all kinds from the dead to the living, and upon those transferring immovable property from the living to the living, transactions which might easily have been taxed directly.

The Vicefima Hereditatum, the twentieth penny of inheritances, imposed by Augustus upon the antient Romans, was a tax upon the transference of property from the dead to the living. Dion Cassius†, the author who writes concerning it the least indistinctly, says, that it was imposed upon all successions, legacies and donations, in case of death, except upon those to the nearest relations, and to the poor.

Of the same kind is the Dutch tax upon successions *. Collateral successions are taxed, according to the degree of relation, from five to thirty per cent. upon the whole value of the succession. Testamentary donations or legacies to collaterals, are subject to the like duties. Those from husband to wife, or from wife to husband, to the fiftieth penny. The Luctuosa Hereditas, the mournful succession of ascendants to descendents, to the twentieth penny only. Direct successions, or those of descendents to ascendants, pay no tax. The death of a father, to such of his children as live in the same house with him, is seldom attended with any increase, and frequently with a considerable diminution of revenue; by the loss of his industry, of his office, or of some life-rent estate, of which he may have been in possession. That tax would be cruel and oppressive which aggravated their loss by taking from them any part of

† Lib. 55. See also Burman de Veélgisibus pop. Rom. cap. xi. and Bouchaud de l'impôt du vingtième sur les successions.

* Memoires concernant les Droits, &c. tom. i. p. 225.
of his succession. It may, however, sometimes be otherwise with
those children who, in the language of the Roman law, are said
to be emancipated; in that of the Scotch law, to be foris-fami-
liated; that is, who have received their portion, have got fami-
lies of their own, and are supported by funds separate and inde-
pendent of those of their father. Whatever part of his succe-
sion might come to such children, would be a real addition to
their fortune, and might, therefore, perhaps, without more incon-
veniency than what attends all duties of this kind, be liable to some
tax.

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

The heir of every immediate vassal of the crown paid a cer-
tain duty, generally a year's rent, upon receiving the investiture
of the estate. If the heir was a minor, the whole rents of the
estate, during the continuance of the minority, devolved to the
superior without any other charge, besides the maintenance of
the minor, and the payment of the widow's dower, when there hap-
pened to be a dowager, upon the land. When the minor came to be
of age, another tax, called Relief, was still due to the superior, which
generally amounted likewise to a year's rent. A long minority,
which in the present times so frequently disburdens a great estate of
all its incumbrances, and restores the family to their antient splendor,
could in those times have no such effect. The waste, and not the dis-
incumbrance of the estate, was the common effect of a long minority.

By the feudal law the vassal could not alienate without the
consent of his superior, who generally extorted a fine or com-
position for granting it. This fine, which was at first arbitrary,
came in many countries to be regulated at a certain portion.
THE NATURE AND CAUSES OF

BOOK V.

of the price of the land. In some countries, where the greater part of the other feudal customs have gone into disuse, this tax upon the alienation of land still continues to make a considerable branch of the revenue of the sovereign. In the canton of Berne it is so high as a sixth part of the price of all noble fiefs; and a tenth part of that of all ignoble ones *. In the canton of Lucerne the tax upon the sale of lands is not universal, and takes place only in certain districts. But if any person sells his land, in order to remove out of the territory, he pays ten per cent. upon the whole price of the sale †. Taxes of the same kind upon the sale either of all lands, or of lands held by certain tenures, take place in many other countries, and make a more or less considerable branch of the revenue of the sovereign.

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

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

* Memoires concernant les Droits, &c. tom. i. p. 154. † Id. p. 157.
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In Holland * there are both stamp-duties and duties upon registration; which in some cases are, and in some are not proportioned to the value of the property transferred. All testaments must be written upon stamped-paper, of which the price is proportioned to the property disposed of, so that there are stamps which cost from threepence, or three shillings a sheet, to three hundred florins, equal to about twenty-seven pound ten shillings of our money. If the stamp is of an inferior price to what the testator ought to have made use of, his succession is confiscated. This is over and above all their other taxes on succession: Except bills of exchange, and some other mercantile bills, all other deeds, bonds and contracts, are subject to a stamp-duty. This duty, however, does not rise in proportion to the value of the subject. All sales of land and houses, and all mortgages upon either, must be registered, and, upon registration, pay a duty to the state of two and a half per cent. upon the amount of the price or the mortgage. This duty is extended to the sale of all ships and vessels of more than two tons burden, whether decked or undocked. These, it seems, are considered as a sort of houses upon the water. The sale of moveables, when it is ordered by a court of justice, is subject to the like duty of two and a half per cent.

In France there are both stamp-duties and duties upon registration. The former are considered as a branch of the aides or excise, and in the provinces where those duties take place, are levied by the excise officers. The latter are considered as a branch of the domaine of the crown, and are levied by a different set of officers.

Those modes of taxation, by stamp-duties and by duties upon registration, are of very modern invention. In the course of little more than a century, however, stamp-duties have, in Europe, become almost universal, and duties upon registration.

* Id. tom. i. p. 223, 224, 225.
extremely common. There is no art which one government sooner learns of another than that of draining money from the pockets of the people.

Taxes upon the transference of property from the dead to the living, fall finally as well as immediately upon the person to whom the property is transferred. Taxes upon the sale of land fall altogether upon the seller. The seller is almost always under the necessity of selling, and must, therefore, take such a price as he can get. The buyer is scarce ever under the necessity of buying, and will, therefore, give only such a price as he likes. He considers what the land will cost him in tax and price together. The more he is obliged to pay in the way of tax, the less he will be disposed to give in the way of price. Such taxes, therefore, fall almost always upon a necessitous person, and must, therefore, be frequently very cruel and oppressive. Taxes upon the sale of new-built houses, where the building is sold without the ground, fall generally upon the buyer, because the builder must generally have his profit; otherwise he must give up the trade. If he advances the tax, therefore, the buyer must generally repay it to him. Taxes upon the sale of old houses, for the same reason as those upon the sale of land, fall generally upon the seller, whom in most cases either convenience or necessity obliges to sell. The number of new built houses that are annually brought to market, is more or less regulated by the demand. Unless the demand is such as to afford the builder his profit, after paying all expences, he will build no more houses. The number of old houses which happen at any time to come to market is regulated by accidents of which the greater part have no relation to the demand. Two or three great bankruptcies in a mercantile town, will bring many houses to sale, which must be sold for what can be got for them. Taxes upon the sale of ground-rents fall altogether upon the seller; for the same reason as those upon
upon the sale of land. Stamp duties, and duties upon the regis-
tration of bonds and contracts for borrowed money, fall alto-
gether upon the borrower, and, in fact, are always paid by him. 
Duties of the same kind upon law proceedings fall upon the
suitors. They reduce to both the capital value of the subject in
dispute. The more it costs to acquire any property, the less must
be the value of it when acquired.

All taxes upon the transference of property of every kind, so
far as they diminish the capital value of that property, tend to
diminish the funds defined for the maintenance of productive
labour. They are all more or less unthrifty taxes that increase
the revenue of the sovereign, which seldom maintains any but
unproductive labourers, at the expense of the capital of the
people which maintains none but productive.

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

In France the stamp-duties are not much complained of. Those
of registration, which they call the Contrôle, are. They give
occasion, it is pretended, to much extortion in the officers of the
farmers general who collect the tax, which is in a great measure
arbitrary and uncertain. In the greater part of the libels which
have been written against the present system of finances in France,
the abuses of the contrôle make a principal article. Uncertainty,
however, does not seem to be necessarily inherent in the nature of
such taxes. If the popular complaints are well founded, the
abuse must arise, not so much from the nature of the tax, as
from the want of precision and distinctness in the words of the
deeds or laws which impose it.

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

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

**Article III.**

**Taxes upon the Wages of Labour.**

The wages of the inferior classes of workmen, I have endeavoured to show in the first book, are every where necessarily regulated by two different circumstances; the demand for labour, and the ordinary or average price of provisions. The demand for labour, according as it happens to be either increasing, stationary, or declining; or to require an increasing, stationary, or declining population, regulates the subsistence of the labourer, and determines in what degree it shall be, either liberal, moderate, or scanty. The ordinary or average price of provisions determines the quantity of money which must be paid to the workman in order to enable him, one year with another, to purchase this liberal, moderate, or scanty subsistence. While the demand for labour and the price of provisions, therefore, remain the same, a direct tax upon the wages of labour can have no other effect than to raise them somewhat higher than the tax. Let us suppose, for example, that in a particular place the demand for labour and the price of provisions were such as to render ten shillings a week the ordinary wages of labour; and that a tax of one-fifth, or four shillings in the pound, was imposed upon wages. If the demand for labour and the price of provisions remained the same, it would still be necessary that the labourer should in that place earn such a subsistence as could be bought only for ten shillings a week, or that after
paying the tax he should have ten shillings a week free wages. But in order to leave him such free wages after paying such a tax, the price of labour must in that place soon rise, not to twelve shillings a week only, but to twelve and sixpence; that is, in order to enable him to pay a tax of one-fifth, his wages must necessarily soon rise, not one-fifth part only, but one-fourth. Whatever was the proportion of the tax, the wages of labour must in all cases rise, not only in that proportion, but in a higher proportion. If the tax, for example, was one-tenth, the wages of labour must necessarily soon rise, not one-tenth part only, but one-eighth.

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

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

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

Absurd and destructive as such taxes are, however, they take place in many countries. In France that part of the taille which is charged upon the industry of workmen and day-labourers in country villages, is properly a tax of this kind. Their wages are computed according to the common rate of the district in which they reside, and that they may be as little liable as possible to any over-charge, their yearly gains are estimated at no more than two hundred...
hundred working days in the year *. The tax of each individual is varied from year to year according to different circumstances, of which the collector or the commissary, whom the intendant appoints to assist him, are the judges. In Bohemia, in consequence of the alteration in the system of finances which was begun in 1748, a very heavy tax is imposed upon the industry of artificers. They are divided into four classes. The highest class pay a hundred florins a year; which, at two and twenty-pence halfpenny a florin, amounts to 9l. 7s. 6d. The second class are taxed at seventy; the third at fifty; and the fourth, comprehending artificers in villages and the lowest class of those in towns, at twenty-five florins †.

The recompense of ingenious artists and of men of liberal professions, I have endeavoured to show in the first book, necessarily keeps a certain proportion to the emoluments of inferior trades. A tax upon this recompense, therefore, could have no other effect than to raise it somewhat higher than in proportion to the tax. If it did not rise in this manner, the ingenious arts and the liberal professions, being no longer upon a level with other trades, would be so much deserted that they would soon return to that level.

The emoluments of offices are not, like those of trades and professions, regulated by the free competition of the market, and do not, therefore, always bear a just proportion to what the nature of the employment requires. They are, perhaps in most countries, higher than it requires; the persons who have the administration of government being generally disposed to reward both themselves and their immediate dependents rather more than enough. The emoluments of offices, therefore, can in most cases very well

* Id. tom. ii. p. 108. † Id. tom. iii. p. 87.
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bear to be taxed. The persons, besides, who enjoy public offices, especially the more lucrative, are in all countries the objects of general envy; and a tax upon their emoluments, even though it should be somewhat higher than upon any other fort of revenue, is always a very popular tax. In England, for example, when by the land-tax every other fort of revenue was supposed to be assessed at four shillings in the pound, it was very popular to lay a real tax of five shillings in the pound upon the salaries of offices which exceeded a hundred pounds a year; those of the judges and a few others less obnoxious to envy excepted. There are in England nor other direct taxes upon the wages of labour.

ARTICLE IV.

Taxes which, it is intended, should fall indifferently upon every different Species of Revenue.

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

Capitation Taxes.

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

CAPITATION...
BOOK V.

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

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

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

In the capitation which has been levied in France without any interruption since the beginning of the present century, the highest orders of people are rated according to their rank by an invariable tariff;
tariff; the lower orders of people, according to what is supposed
to be their fortune, by an assessment which varies from year to year.
The officers of the king's court, the judges and other officers in the
superior courts of justice, the officers of the troops, &c. are as-
signed in the first manner. The inferior ranks of people in the
provinces are assigned in the second. In France the great easily
submit to a considerable degree of inequality in a tax which, so
far as it affects them, is not a very heavy one; but could not
brook the arbitrary assessment of an intendant. The inferior ranks
of people must, in that country, suffer patiently the usage which
their superiors think proper to give them.

In England the different poll-taxes never produced the sum
which had been expected from them, or which, it was supposed,
they might have produced, had they been exactly levied. In
France the capitation always produces the sum expected from it.
The mild government of England, when it assigned the different
ranks of people to the poll-tax, contented itself with what that
assessment happened to produce; and required no compensation for
the loss which the state might sustain either by those who could
not pay, or by those who would not pay, (for there were many
such), and who, by the indulgent execution of the law, were not
forced to pay. The more severe government of France assesses
upon each generality a certain sum, which the intendant must find
as he can. If any province complains of being assessed too high, it
may, in the assessment of next year, obtain an abatement propor-
tioned to the over-charge of the year before; but it must pay in
the meantime. The intendant, in order to be sure of finding the
sum assessed upon his generality, was impowered to assess it in a
larger sum, that the failure or inability of some of the contributors
might be compensated by the over-charge of the rest; and till
1765, the fixation of this surplus assessment, was left altogether
to his discretion. In that year indeed the council assumed this
power to itself. In the capitation of the provinces, it is observed
by the perfectly-well informed author of the Memoirs upon the
impositions in France, the portion which falls upon the nobility,
and upon those whose privileges exempt them from the taille, is
the least considerable. The largest falls upon those subject to the
taille, who are assessed to the capitation at so much a pound of what
they pay to that other tax.

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

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

Taxes upon consumable Commodities.

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

revenue. Their expence is taxed by taxing the consumable commodities upon which it is laid out.

Consumable commodities are either necessaries or luxuries.

By necessaries I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably, though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, which, it is presumed, no body can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them. In Scotland, custom has rendered them a necessary of life to the lowest order of men; but not to the same order of women, who may, without any discredit, walk about bare-footed. In France, they are necessaries neither to men nor to women; the lowest rank of both sexes appearing there publicly, without any discredit, sometimes in wooden shoes, and sometimes bare-footed. Under necessaries, therefore, I comprehend, not only those things which nature, but those things which the established rules of decency have rendered necessary to the lowest rank of people. All other things, I call luxuries; without meaning by this appellation, to throw the smallest degree of reproach upon the temperate use of them. Beer and ale, for example, in Great Britain, and wine, even in the wine countries, I call luxuries. A man of any rank may, without
any reproach, abstain totally from tasting such liquors. Nature does not render them necessary for the support of life; and custom nowhere renders it indecent to live without them.

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

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

It is otherwise with taxes upon what I call luxuries; even upon those of the poor. The rise in the price of the taxed commodities...
will not necessarily occasion any rise in the wages of labour. A tax upon tobacco, for example, though a luxury of the poor as well as of the rich, will not raise wages. Though it is taxed in England at three times, and in France at fifteen times its original price, those high duties seem to have no effect upon the wages of labour. The same thing may be said of the taxes upon tea and sugar, which in England and Holland have become luxuries of the lowest ranks of people; and of those upon chocolate, which in Spain is said to have become so. The different taxes which in Great Britain have in the course of the present century been imposed upon spirituous liquors, are not supposed to have had any effect upon the wages of labour. The rise in the price of porter, occasioned by an additional tax of three shillings upon the barrel of strong beer, has not raised the wages of common labour in London. These were about eighteen-pence and twenty-pence a day before the tax, and they are not more now.

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

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

Taxes upon luxuries have no tendency to raise the price of any other commodities except that of the commodities taxed. Taxes upon necessaries, by raising the wages of labour, necessarily tend to raise the price of all manufactures, and consequently to diminish the extent of their sale and consumption. Taxes upon luxuries are finally paid by the consumers of the commodities taxed, without any retribution. They fall indifferently upon every species of revenue, the wages of labour, the profits of stock, and the rent of land. Taxes upon necessaries, so far as they affect the labouring poor, are finally paid, partly by landlords in the diminished rent of their lands, and partly by rich consumers, whether landlords
Landlords or others, in the advanced price of manufactured goods; and always with a considerable over-charge. The advanced price of such manufactures as are real necessaries of life, and are destined for the consumption of the poor, of coarse woollens, for example, must be compensated to the poor by a farther advancement of their wages. The middling and superior ranks of people, if they understood their own interest, ought always to oppose all taxes upon the necessaries of life, as well as all direct taxes upon the wages of labour. The final payment of both the one and the other falls altogether upon themselves, and always with a considerable over-charge. They fall heaviest upon the landlords, who always pay in a double capacity; in that of landlords, by the reduction of their rent; and in that of rich consumers, by the increase of their expense. The observation of Sir Matthew Decker, that certain taxes are in the price of certain goods sometimes repeated and accumulated four or five times, is perfectly just with regard to taxes upon the necessaries of life. In the price of leather, for example, you must pay, not only for the tax upon the leather of your own shoes, but for a part of that upon those of the shoe-maker and the tanner. You must pay too for the tax upon the salt, upon the soap, and upon the candles which those workmen consume while employed in your service, and for the tax upon the leather, which the salt-maker, the soap-maker, and the candle-maker consume while employed in their service.

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

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

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

Such taxes, though they raise the price of subsistence, and consequently the wages of labour, yet they afford a considerable revenue to government, which it might not be easy to find in any other way. There may, therefore, be good reasons for continuing them. The bounty upon the exportation of corn, so far as it tends in the actual state of tillage to raise the price of that necessary article, produces all the like bad effects; and instead of affording any revenue, frequently occasions a very great expense to government. The high duties upon the importation of foreign corn, which in years of moderate plenty amount to a prohibition; and the absolute prohibition of the importation either of live cattle or of salt provisions, which takes place in the ordinary state of the law, and which on account of the scarcity is at present suspended for a limited time with regard to Ireland and the British plantations, have all the bad effects of taxes upon the necessaries of life, and produce no revenue to government. Nothing seems necessary for the repeal of such regulations, but to convince the public of the futility of that system in consequence of which they have been established.

Taxes upon the necessaries of life are much higher in many other countries than in Great Britain. Duties upon flour and meal when ground at the mill, and upon bread when baked at the oven, take place in many countries. In Holland the money price of the bread consumed in towns is supposed to be doubled by means of
such taxes. In lieu of a part of them, the people who live in the country pay every year so much a head, according to the sort of bread they are supposed to consume. Those who consume wheaten bread, pay three gilders fifteen shivers; about six shillings and nine-pence halfpenny. These, and some other taxes of the same kind, by raising the price of labour, are said to have ruined the greater part of the manufactures of Holland*. Similar taxes, though not quite so heavy, take place in the Milanese, in the states of Genoa, in the duchy of Modena, in the duchies of Parma, Placentia, and Guastalla, and in the ecclesiastical state. A French author † of some note has proposed to reform the finances of his country, by substituting in the room of the greater part of other taxes this most ruinous of all taxes. There is nothing so absurd, says Cicero, which has not sometimes been asserted by some philosophers.

Taxes upon butchers meat are still more common than those upon bread. It may indeed be doubted whether butchers meat is any where a necessary of life. Grain and other vegetables, with the help of milk, cheese, and butter, or oil where butter is not to be had, it is known from experience, can, without any butchers meat, afford the most plentiful, the most wholesome, the most nourishing, and the most invigorating diet. Decency no where requires that any man should eat butchers meat, as it in most places requires that he should wear a linen shirt or a pair of leather shoes.

Consumable commodities, whether necessaries or luxuries, may be taxed in two different ways. The consumer may either pay an annual sum on account of his using or consuming goods of a certain kind; or the goods may be taxed while they remain in the hands of the dealer, and before they are delivered to the consumer. The consumable goods which last a considerable time before they are consumed altogether, are most properly taxed in one way.

* Memoires concernant les Droits, &c. p. 210, 211. † Le reformateur.

Those
Those of which the consumption is either immediate or more speedy, in the other. The coach-tax and plate-tax are examples of the former method of imposing: The greater part of the other duties of excise and customs, of the latter.

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

It was the well known proposal of Sir Mathew Decker that all commodities, even those of which the consumption is either immediate or very speedy, should be taxed in this manner; the dealer advancing nothing, but the consumer paying a certain annual sum for the licence to consume certain goods. The object of his scheme was to promote all the different branches of foreign trade, particularly the carrying trade, by taking away all duties upon importation and exportation, and thereby enabling the merchant to employ his whole capital and credit in the purchase of goods and the freight of ships, no part of either being diverted towards the advancement
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advancing of taxes. The project, however, of taxing, in this manner, goods of immediate or speedy consumption, seems liable to the four following very important objections. First, the tax would be more unequal, or not so well proportioned to the expense and consumption of the different contributors, as in the way in which it is commonly imposed. The taxes upon ale, wine, and spirits, which are advanced by the dealers, are finally paid by the different consumers exactly in proportion to their respective consumption. But if the tax was to be paid by purchasing a licence to drink those liquors, the sober would, in proportion to his consumption, be taxed much more heavily than the drunken consumer. A family which exercised great hospitality would be taxed much more lightly than one which entertained fewer guests. Secondly, this mode of taxation, by paying for an annual, half-yearly, or quarterly licence to consume certain goods, would diminish very much one of the principal conveniences of taxes upon goods of speedy consumption; the piece-meal payment. In the price of three-pence halfpenny, which is at present paid for a pot of porter, the different taxes upon malt, hops, and beer, together with the extraordinary profit which the brewer charges for having advanced them, may perhaps amount to about three halfpence. If a workman can conveniently spare those three halfpence, he buys a pot of porter. If he cannot, he contents himself with a pint, and, as a penny saved is a penny got, he thus gains a farthing by his temperance. He pays the tax piece-meal, as he can afford to pay it, and when he can afford to pay it; and every act of payment is perfectly voluntary, and what he can avoid if he chooses to do so. Thirdly, such taxes would operate less as sumptuary laws. When the licence was once purchased, whether the purchaser drank much or drank little, his tax would be the same. Fourthly, if a workman was to pay all at once, by yearly, half-yearly, or quarterly payments, a tax equal to what he at present pays, with little or no inconvenience, upon all the different
rent pots and pints of porter which he drinks in any such period of time, the sum might frequently distress him very much. This mode of taxation, therefore, it seems evident, could never, without the most grievous oppression, produce a revenue nearly equal to what is derived from the present mode without any oppression. In several countries, however, commodities of an immediate or very speedy consumption are taxed in this manner. In Holland, people pay so much a head for a licence to drink tea. I have already mentioned a tax upon bread, which, so far as it is consumed in farmhouses and country villages, is there levied in the same manner.

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

The duties of customs are much more ancient than those of excise. They seem to have been called customs, as denoting customary payments which had been in use from time immemorial. They appear to have been originally considered as taxes upon the profits of merchants. During the barbarous times of feudal anarchy, merchants, like all the other inhabitants of burghs, were considered as little better than emancipated bondmen, whose persons were despised, and whose gains were envied. The great nobility, who had contented that the king should tallow the profits of their own tenants, were not unwilling that he should tallow likewise those of an order of men whom it was much less their interest to protect.
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In those ignorant times it was not understood that the profits of merchants are a subject not taxable directly; or that the final payment of all such taxes must fall, with a considerable overcharge, upon the consumers.

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

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

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

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

THAT system has come gradually more and more into fashion. The old subsidy was imposed indifferently upon exportation as well
as importation. The four subsequent subsidies, as well as the other duties which have since been occasionally imposed upon particular sorts of goods, have, with a few exceptions, been laid altogether upon importation. The greater part of the antient duties which had been imposed upon the exportation of the goods of home produce and manufacture, have either been lightened or taken away altogether. In most cases they have been taken away. Bounties have even been given upon the exportation of some of them. Drawbacks too, sometimes of the whole, and, in most cases, of a part of the duties which are paid upon the importation of foreign goods, have been granted upon their exportation. Only half the duties imposed by the old subsidy upon importation are drawn back upon exportation: but the whole of those imposed by the later subsidies and other imposts are, upon the greater part of goods, drawn back in the same manner. This growing favour of exportation, and discouragement of importation, have suffered only a few exceptions, which chiefly concern the materials of some manufactures. These our merchants and manufacturers are willing should come as cheap as possible to themselves, and as dear as possible to their rivals and competitors in other countries. Foreign materials are, upon this account, sometimes allowed to be imported duty free; Spanish wool, for example, flax, and raw linen yarn. The exportation of the materials of home produce, and of those which are the peculiar produce of our colonies, has sometimes been prohibited, and sometimes subjected to higher duties. The exportation of English wool has been prohibited. That of beaver skins, of beaver wool, and of gum Senega, has been subjected to higher duties; Great Britain, by the conquest of Canada and Senegal, having got almost the monopoly of those commodities.

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

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

The high duties which have been imposed upon the importation of many different sorts of foreign goods, in order to discourage their consumption in Great Britain, have in many cases served only to encourage smuggling; and in all cases have reduced the revenue of the customs below what more moderate duties would have afforded. The saying of Dr. Swift, that in the arithmetic of the customs two and two, instead of making four, make sometimes only one, holds perfectly true with regard to such heavy duties, which never could have been imposed had not the mercantile system taught us in many cases to employ taxation as an instrument, not of revenue, but of monopoly.

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

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

All
All goods imported, unless particularly exempted, and such exemptions are not very numerous, are liable to some duties of customs. If any goods are imported not mentioned in the book of rates, they are taxed at 4s. 9d. for every twenty shillings value, according to the oath of the importer, that is, nearly at five subsidies, or five poundage duties. The book of rates is extremely comprehensive, and enumerates a great variety of articles, many of them little used, and therefore not well known. It is upon this account frequently uncertain under what article a particular sort of goods ought to be classified, and consequently what duty they ought to pay. Mistakes with regard to this sometimes ruin the custom-house officer, and frequently occasion much trouble, expense and vexation to the importer. In point of perspicuity, precision and distinctness, therefore, the duties of customs are much inferior to those of excise.

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

The foreign articles of the most general use and consumption in Great Britain, seem at present to consist chiefly in foreign wines and brandies; in some of the productions of America and the West Indies, sugar, rum, tobacco, cacao-nuts, &c. and in some
some of those of the East Indies, tea, coffee, china-ware, spiceries of all kinds, several sorts of piece goods, &c. These different articles afford perhaps at present the greater part of the revenue which is drawn from the duties of customs. The taxes which at present subsist upon foreign manufactures, if you except those upon the few contained in the foregoing enumeration, have the greater part of them been imposed for the purpose, not of revenue, but of monopoly, or to give our own merchants an advantage in the home market. By removing all prohibitions, and by subjecting all foreign manufactures to such moderate taxes as it was found from experience afforded upon each article the greatest revenue to the public, our own workmen might still have a considerable advantage in the home market, and many articles, some of which at present afford no revenue to government, and others a very inconsiderable one, might afford a very great one.

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

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

When the diminution of revenue is the effect of the encouragement given to smuggling, it may perhaps be remedied in two ways: either by diminishing the temptation to smuggle, or by increasing the difficulty of smuggling. The temptation to smuggle can be diminished only by the lowering of the tax; and the difficulty of smuggling can be increased only by establishing that system of administration which is most proper for preventing it.

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

The importer of commodities liable to any duties of customs, it has been said, might at his option be allowed either to carry them to his own private warehouse, or to lodge them in a warehouse, provided either at his own expense or at that of the public, but under the key of the customhouse officer, and never to be opened but in his presence. If the merchant carried them to his own private warehouse, the duties to be immediately paid, and never afterwards to be drawn back; and that warehouse to be at all times subject to the visit and examination of the customhouse officer, in order to ascertain how far the quantity contained in it corresponded with that for which the duty had been paid. If he carried them to the public warehouse, no duty to be paid till they were taken out for home consumption. If taken out for exportation, to be duty-free; proper security being always given that they should be so exported. The dealers in those particular commodities, either by wholesale or retail, to be at all times subject to the visit and examination of the customhouse officer, and to be obliged to justify by proper certificates the payment of the duty upon the whole quantity contained in their shops or warehouses. What are called the excise duties upon rum imported are at present levied in this manner, and the same system of administration might perhaps be extended to all duties upon goods imported; provided always, that those duties were, like the duties of excise, confined to a few sorts of goods of the most

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If by such a system of administration smuggling to any considerable extent could be prevented even under pretty high duties, and if every duty was occasionally either heightened or lowered according as it was most likely, either the one way or the other, to afford the greatest revenue to the state; taxation being always employed as an instrument of revenue and never of monopoly; it seems not improbable that a revenue at least equal to the present neat revenue of the customs might be drawn from duties upon the importation of only a few sorts of goods of the most general use and consumption; and that the duties of customs might thus be brought to the same degree of simplicity, constancy and precision, as those of excise. What the revenue at present loses by drawbacks upon the re-exportation of foreign goods which are afterwards re-landed and consumed at home, would under this system be saved altogether. If to this saving, which would alone be very considerable, was added the abolition of all bounties upon the exportation of home-produce, in all cases in which those bounties were not in reality drawbacks of some duties of excise which had before been advanced, it cannot well be doubted but that the neat revenue of customs might after an alteration of this kind be fully equal to what it had ever been before.

If by such a change of system the public revenue suffered no loss, the trade and manufactures of the country would certainly gain a very considerable advantage. The trade in the commodities not
not taxed, by far the greatest number, would be perfectly free, and might be carried on to and from all parts of the world with every possible advantage. Among those commodities would be comprehended all the necessaries of life, and all the materials of manufacture. So far as the free importation of the necessaries of life reduced their average money price in the home-market, it would reduce the money price of labour, but without reducing in any respect its real recompense. The value of money is in proportion to the quantity of the necessaries of life which it will purchase. That of the necessaries of life is altogether independant of the quantity of money which can be had for them. The reduction in the money price of labour would necessarily be attended with a proportionable one in that of all home-manufactures, which would thereby gain some advantage in all foreign markets. The price of some manufactures would be reduced in a still greater proportion by the free importation of the raw materials. If raw silk could be imported from China and Indostan duty-free, the silk manufacturers in England could greatly undersell those of both France and Italy. There would be no occasion to prohibit the importation of foreign silks and velvets. The cheapness of their goods would secure to our own workmen, not only the possession of the home, but a very great command of the foreign market. Even the trade in the commodities taxed would be carried on with much more advantage than at present. If those commodities were delivered out of the public warehouse for foreign exportation, being in this case exempted from all taxes, the trade in them would be perfectly free. The carrying trade in all sorts of goods, would under this system enjoy every possible advantage. If those commodities were delivered out for home-consumption, the importer not being obliged to advance the tax till he had an opportunity of selling his goods either to some dealer, or to some consumer, he could always afford to sell them cheaper than if he had been
been obliged to advance it at the moment of importation. Under the same taxes, the foreign trade of consumption even in the taxed commodities, might in this manner be carried on with much more advantage than it can at present.

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

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

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

The whole consumption of the inferior ranks of people, or of those below the middling rank, it must be observed, is in every country
country much greater, not only in quantity, but in value, than that of the middling and of those above the middling rank. The whole expence of the inferior is much greater than that of the superior ranks. In the first place, almost the whole capital of every country is annually distributed among the inferior ranks of people as the wages of productive labour. Secondly, a great part of the revenue arising both from the rent of land and from the profits of stock, is annually distributed among the same rank, in the wages and maintenance of menial servants, and other unproductive labourers. Thirdly, some part of the profits of stock belongs to the same rank, as a revenue arising from the employment of their small capitals. The amount of the profits annually made by small shopkeepers, tradesmen, and retailers of all kinds, is every where very considerable, and makes a very considerable portion of the annual produce. Fourthly, and lastly, some part even of the rent of land belongs to the same rank; a considerable part to those who are somewhat below the middling rank, and a small part even to the lowest rank; common labourers sometimes possessing in property an acre or two of land. Though the expence of those inferior ranks of people, therefore, taking them individually, is very small, yet the whole mass of it, taking them collectively, amounts always to by much the largest portion of the whole expence of the society; what remains of the annual produce of the land and labour of the country for the consumption of the superior ranks being always much less, not only in quantity but in value. The taxes upon expence, therefore, which fall chiefly upon that of the superior ranks of people, upon the smaller portion of the annual produce, are likely to be much less productive than either those which fall indifferently upon the expence of all ranks, or even those which fall chiefly upon that of the inferior ranks; than either those which fall indifferently upon the whole annual produce, or those which fall chiefly upon the larger por-
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The excise upon the materials and manufacture of home-made fermented and spirituous liquors is accordingly, of all the different taxes upon expence, by far the most productive; and this branch of the excise falls very much, perhaps principally, upon the expence of the common people. In the year which ended on the 5th of July, 1775, the gross produce of this branch of the excise amounted to 3,314,223 l. 18 s. 10 1/2 d.

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

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

A greater revenue than what is at present drawn from all the heavy taxes upon malt, beer, and ale, might be raised, it has frequently been said, by a much lighter tax upon malt; the opportunities of defrauding the revenue being much greater in a brewery than in a malt-house; and those who brew for private use being exempted from all duties or composition for duties, which is not the case with those who malt for private use.
In the porter brewery of London, a quarter of malt is commonly brewed into more than two barrels and a half, sometimes into three barrels of porter. The different taxes upon malt amount to six shillings a quarter; those upon strong beer and ale to eight shillings a barrel. In the porter brewery, therefore, the different taxes upon malt, beer, and ale, amount to between twenty-six and thirty shillings upon the produce of a quarter of malt. In the country brewery for common country ale, a quarter of malt is seldom brewed into less than two barrels of strong and one barrel of small beer, frequently into two barrels and a half of strong beer. The different taxes upon small beer amount to one shilling and four-pence a barrel. In the country brewery, therefore, the different taxes upon malt, beer, and ale, seldom amount to less than twenty-three shillings and four-pence, frequently to twenty-six shillings, upon the produce of a quarter of malt. Taking the whole kingdom at an average, therefore, the whole amount of the duties upon malt, beer, and ale, cannot be estimated at less than twenty-four or twenty-five shillings upon the produce of a quarter of malt. But by taking off all the different duties upon beer and ale, and by tripling the malt-tax, or by raising it from six to eighteen shillings upon the quarter of malt, a greater revenue, it is said, might be raised by this single tax than what is at present drawn from all those heavier taxes.
### Table: Malt Tax and Excise Tax Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Malt Tax Produced</th>
<th>Excise Tax Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1772</td>
<td>£722,023</td>
<td>£1,243,128</td>
</tr>
<tr>
<td>1773</td>
<td>£356,776</td>
<td>£408,260</td>
</tr>
<tr>
<td>1774</td>
<td>£561,627</td>
<td>£455,466</td>
</tr>
<tr>
<td>1775</td>
<td>£624,614</td>
<td>£320,601</td>
</tr>
</tbody>
</table>

Average of these four years: £958,895

### Table: London Brewery Excise Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>Excise Tax Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1772</td>
<td>£1,245,808</td>
</tr>
<tr>
<td>1773</td>
<td>£405,406</td>
</tr>
<tr>
<td>1774</td>
<td>£1,246,373</td>
</tr>
<tr>
<td>1775</td>
<td>£1,214,583</td>
</tr>
</tbody>
</table>

Average of these four years: £6547,832

To which adding the average malt tax, or £958,895.

The whole amount of those different taxes comes out to be £2,595,853.

But by tripling the malt tax, or by raising it from six to eighteen shillings upon the quarter of malt, that single tax would produce £2,876,685.

A sum which exceeds the foregoing by £280,832.
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Under the old malt tax, indeed, is comprehended a tax of four shillings upon the hog's head of cyder, and another of ten shillings upon the barrel of mum. In 1774, the tax upon cyder produced only 3083 l. 6s. 8d. It probably fell somewhat short of its usual amount; all the different taxes upon cyder having that year produced less than ordinary. The tax upon mum, though much heavier, is still less productive, on account of the smaller consumption of that liquor. But to balance whatever may be the ordinary amount of those two taxes; there is comprehended under what is called The country excise, first, the old excise of six shillings and eight-pence upon the hog's head of cyder; secondly, a like tax of six shillings and eight-pence upon the hog's head of verjuice; thirdly, another of eight shillings and nine-pence upon the hog's head of vinegar; and, lastly, a fourth tax of eleven-pence upon the gallon of mead or metheglin: The produce of those different taxes will probably much more than counterbalance that of the duties imposed, by what is called The annual malt tax, upon cyder and mum.

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

height of the duties, which amount to 2s. 6d. upon the gallon of spirits. By increasing the duties upon malt, and reducing those upon the distillery, both the opportunities and the temptation to smuggle would be diminished, which might occasion a still further augmentation of revenue.

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

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

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

It is not very easy to understand why it should be more difficult for the maltster to get back eighteen shillings in the advanced price of his malt, than it is at present for the brewer to get back twenty-four or twenty-five, sometimes thirty shillings, in that of his liquor. The maltster, indeed, instead of a tax of six shillings, would be obliged to advance one of eighteen shillings upon every quarter of malt. But the brewer is at present obliged to advance a tax of twenty-four or twenty-five, sometimes thirty shillings, upon every quarter of malt which he brews. It could not be more inconvenient for the maltster to advance a lighter tax, than it is at present for the brewer to advance a heavier one. The maltster doth not always keep in his granaries a stock of malt which it will require a longer time to dispose of, than the stock of beer and ale which the brewer frequently keeps in his cellars. The former, therefore, may frequently get the returns of his money as soon as the latter. But whatever inconvenience might arise to the maltster from being obliged to advance a heavier tax, could easily be remedied by granting him a few months longer credit than is at present commonly given to the brewer.
NOTHING could reduce the rent and profit of barley land which did not reduce the demand for barley. But a change of system which reduced the duties upon a quarter of malt brewed into beer and ale from twenty-four and twenty-five shillings to eighteen shillings, would be more likely to increase than diminish that demand. The rent and profit of barley land, besides, must always be nearly equal to those of other equally fertile and equally well cultivated land. If they were less, some part of the barley land would soon be turned to some other purpose; and if they were greater, more land would soon be turned to the raising of barley. When the ordinary price of any particular produce of land is at what may be called a monopoly price, a tax upon it necessarily reduces the rent and profit of the land which grows it. A tax upon the produce of those precious vineyards, of which the wine falls so much short of the effectual demand, that its price is always above the natural proportion to that of the produce of other equally fertile and equally well cultivated land, would necessarily reduce the rent and profit of those vineyards. The price of the wines, being already the highest that could be got for the quantity commonly sent to market, it could not be raised higher without diminishing that quantity; and the quantity could not be diminished without still greater loss, because the lands could not be turned to any other equally valuable produce. The whole weight of the tax, therefore, would fall upon the rent and profit; properly upon the rent of the vineyard. When it has been proposed to lay any new tax upon sugar, our sugar planters have frequently complained that the whole weight of such taxes fell, not upon the consumer, but upon the producer; they never having been able to raise the price of their sugar after the tax higher than it was before. The price had, it seems, before the tax been a monopoly price; and the argument adduced to show that sugar was an improper subject of taxation, demonstrated perhaps that it was a proper one; the gains of monopolists, whenever they can be come at, being cert-
tantly of all subjects the most proper. But the ordinary price of barley has never been a monopoly price; and the rent and profit of barley land have never been above their natural proportion to those of other equally fertile and equally well cultivated land. The different taxes which have been imposed upon malt, beer, and ale, have never lowered the price of barley, have never reduced the rent and profit of barley land. The price of malt to the brewer has constantly risen in proportion to the taxes imposed upon it; and those taxes, together with the different duties upon beer and ale, have constantly either raised the price, or what comes to the same thing, reduced the quality of those commodities to the consumer. The final payment of those taxes has fallen constantly upon the consumer, and not upon the producer.

The only people likely to suffer by the change of system here proposed, are those who brew for their own private use. But the exemption which this superior rank of people at present enjoy from very heavy taxes which are paid by the poor labourer and artificer, is surely most unjust and unequal, and ought to be taken away, even though this change was never to take place. It has probably been the interest of this superior order of people, however, which has hitherto prevented a change of system that could not well fail both to increase the revenue and to relieve the people.

Besides such duties as those of customs and excise above-mentioned, there are several others which affect the price of goods more unequally and more indirectly. Of this kind are the duties which in French are called Peages, which in old Saxon times were called duties of Passage, and which seem to have been originally established for the same purpose as our turnpike tolls or the tolls upon our canals and navigable rivers, for the maintenance of the road or of the navigation. Those duties, when applied to such purposes, are most
moft properly imposed according to the bulk or weight of the goods. As they were originally local and provincial duties, applicable to local and provincial purposes, the administration of them was in most cases entrusted to the particular town, parish, or lordship, in which they were levied; such communities being in some way or other supposed to be accountable for the application. The sovereign, who is altogether unaccountable, has in many countries assumed to himself the administration of those duties; and though he has in most cases enhanced very much the duty, he has in many entirely neglected the application. If the turnpike tolls of Great Britain should ever become one of the resources of government, we may learn, by the example of many other nations, what would probably be the consequence. Such tolls are no doubt finally paid by the consumer; but the consumer is not taxed in proportion to his expense when he pays, not according to the value, but according to the bulk or weight of what he consumes. When such duties are imposed, not according to the bulk or weight, but according to the supposed value of the goods, they become properly a sort of inland customs or excises, which obstruct very much the most important of all branches of commerce, the interior commerce of the country.

In some small states duties similar to those passage duties are imposed upon goods carried across the territory, either by land or by water, from one foreign country to another. These are in some countries called transit-duties. Some of the little Italian states, which are situated upon the Po, and the rivers which run into it, derive some revenue from duties of this kind, which are paid altogether by foreigners, and which are perhaps the only duties that one state can impose upon the subjects of another without obstructing in any respect the industry or commerce of its own. The most important transit-duty in the world is that levied by the king of Denmark upon all merchant ships which pass through the Sound.
Such taxes upon luxuries as the greater part of the duties of customs and excise, though they fall indifferently upon every different species of revenue, and are paid finally, or without any retribution, by whoever consumes the commodities upon which they are imposed, yet they do not always fall equally or proportionally upon the revenue of every individual. As every man's humour regulates the degree of his consumption, every man contributes rather according to his humour than in proportion to his revenue; the profuse contribute more, the parsimonious less, than their proper proportion. During the minority of a man of great fortune, he contributes commonly very little by his consumption towards the support of that state from whose protection he derives great revenue. Those who live in another country contribute nothing by their consumption towards the support of the government of that country in which is situated the source of their revenue. If in this latter country there should be no land-tax, nor any considerable duty upon the transference either of moveable or of immovable property, as is the case in Ireland, such absentees may derive a great revenue from the protection of a government to the support of which they do not contribute a single shilling. This inequality is likely to be greatest in a country of which the government is in some respects subordinate and dependent upon that of some other. The people who possess the most extensive property in the dependent, will in this case generally choose to live in the governing country. Ireland is precisely in this situation, and we cannot, therefore, wonder that the proposal of a tax upon absentees should be so very popular in that country. It might perhaps be a little difficult to ascertain either what sort, or what degree of absence should subject a man to be taxed as an absentee, or at what precise time the tax should either begin or end. If you except, however, this very peculiar situation, any inequality in the contribution of individuals, which can arise from such taxes, is much
much more than compensated by the very circumstance which occasions that inequality; the circumstance that every man’s contribution is altogether voluntary; it being altogether in his power either to consume or not to consume the commodity taxed. Where such taxes, therefore, are properly assessed and upon proper commodities, they are paid with less grumbling than any other. When they are advanced by the merchant or manufacturer, the consumer, who finally pays them, soon comes to confound them with the price of the commodities, and almost forgets that he pays any tax.

Such taxes are or may be perfectly certain, or may be assessed so as to leave no doubt concerning either what ought to be paid, or when it ought to be paid; concerning either the quantity or the time of payment. Whatever uncertainty there may sometimes be, either in the duties of customs in Great Britain, or in other duties of the same kind in other countries, it cannot arise from the nature of those duties, but from the inaccurate or unskilful manner in which the law that imposes them is expressed.

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

Such taxes, in proportion to what they bring into the public treasury of the state, always take out or keep out of the pockets of the people more than almost any other taxes. They seem to do this in all the four different ways in which it is possible to do it.
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FIRST, the levying of such taxes, even when imposed in the most judicious manner, requires a great number of custom-house and excise officers, whose salaries and perquisites are a real tax upon the people, which brings nothing into the treasury of the state. This expense, however, it must be acknowledged, is more moderate in Great Britain than in most other countries. In the year which ended on the fifth of July, 1775, the gross produce of the different duties, under the management of the commissioners of excise in England, amounted to 5,479,695l. 7s. 10d. which was levied at an expense of little more than five and a half per cent. From this gross produce, however, there must be deducted what was paid away in bounties and drawbacks upon the exportation of exciseable goods, which will reduce the net produce below five millions. The levying of the salt duty, an excise duty, but under a different management, is much more expensive. The net revenue of the customs does not amount to two millions and a half, which is levied at an expense of more than ten per cent. in the salaries of officers, and other incidents. But the perquisites of custom-house officers are every where much greater than their salaries; at some ports more than double or triple those salaries. If the salaries of officers, and other incidents, therefore, amount to more than ten per cent. upon the net revenue of the customs; the whole expense of levying that revenue may amount, in salaries and perquisites together, to more than twenty or thirty per cent. The officers of excise receive few or no perquisites; and the administration of that branch of the revenue, being of more recent establishment, is in general less corrupted than that of the customs, into which length of time has introduced and authorized many abuses. By charging upon malt the whole revenue which is at present levied by the different duties upon malt and malt liquors, a saving, it is supposed, of more than fifty thousand pounds might be made in the annual expense of the excise. By confining the duties
duties of customs to a few sorts of goods, and by levying those duties according to the excise laws, a much greater saving might probably be made in the annual expence of the customs.

Secondly, such taxes necessarily occasion some obstruction or discouragement to certain branches of industry. As they always raise the price of the commodity taxed, they so far discourage its consumption, and consequently its production. If it is a commodity of home growth or manufacture, less labour comes to be employed in raising and producing it. If it is a foreign commodity of which the tax increases in this manner the price; the commodities of the same kind which are made at home may thereby, indeed, gain some advantage in the home market; and a greater quantity of domestic industry may thereby be turned towards preparing them. But though this rise of price in a foreign commodity may encourage domestic industry in one particular branch; it necessarily discourages that industry in almost every other. The dearer the Birmingham manufacturer buys his foreign wine, the cheaper he necessarily sells that part of his hardware with which, or, what comes to the same thing, with the price of which he buys it. That part of his hardware, therefore, becomes of less value to him, and he has less encouragement to work at it. The dearer the consumers in one country pay for the surplus produce of another, the cheaper they necessarily sell that part of their own surplus produce with which, or, what comes to the same thing, with the price of which they buy it. That part of their own surplus produce becomes of less value to them, and they have less encouragement no increase its quantity. All taxes upon comsumable commodities, therefore, tend to reduce the quantity of productive labour below what it otherwise would be, either in preparing the commodities taxed, if they are home commodities; or in preparing those with which they are purchased, if they are foreign commodities. Such taxes, too, always.
always alter, more or less, the natural direction of national industry, and turn it into a channel always different from, and generally less advantageous than that in which it would have run of its own accord.

THIRDLY, the hope of evading such taxes by smuggling gives frequent occasion to forfeitures and other penalties, which entirely ruin the smuggler; a person who, though no doubt highly blameable for violating the laws of his country, is frequently incapable of violating those of natural justice, and would have been, in every respect, an excellent citizen, had not the laws of his country made that a crime which nature never meant to be so. In those corrupted governments where there is at least a general suspicion of much unnecessary expense, and great misapplication of the public revenue, the laws which guard it are little respected. Not many people are scrupulous about smuggling when, without perjury, they can find any easy and safe opportunity of doing so. To pretend to have any scruple about buying smuggled goods, though a manifest encouragement to the violation of the revenue laws, and to the perjury which almost always attends it, would in most countries be regarded as one of those pedantic pieces of hypocrisy which, instead of gaining credit with any body, serve only to expose the person who affects to practice them, to the suspicion of being a greater knave than most of his neighbours. By this indulgence of the public, the smuggler is often encouraged to continue a trade which he is thus taught to consider as in some measure innocent; and when the severity of the revenue laws is ready to fall upon him, he is frequently disposed to defend with violence, what he has been accustomed to regard as his just property. From being at first, perhaps, rather imprudent than criminal, he at last too often becomes, one of the hardiest and most determined violators of the laws of society. By the ruin of the smuggler,
gether, his capital, which had before been employed in maintaining productive labour, is absorbed either in the revenue of the state or in that of the revenue-officer, and is employed in maintaining unproductive, to the diminution of the general capital of the society, and of the useful industry which it might otherwise have maintained.

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

The inconveniences, however, which are, perhaps, in some degree inseparable from taxes upon consumable commodities, fall as

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light
light upon the people of Great Britain as upon those of any other country of which the government is nearly as expensive. Our state is not perfect, and might be mended; but it is as good or better than that of most of our neighbours.

In consequence of the notion that duties upon consumable goods were taxes upon the profits of merchants, those duties have, in some countries, been repeated upon every successive sale of the goods. If the profits of the merchant importer or merchant manufacturer were taxed, equality seemed to require that those of all the middle buyers, who intervened between either of them and the consumer, should likewise be taxed. The famous Alcaulal of Spain seems to have been established upon this principle. It was at first a tax of ten per cent: afterwards of fourteen per cent. and is at present of only six per cent. upon the sale of every sort of property, whether moveable or immovable; and it is repeated every time the property is sold. * The levying of this tax requires a multitude of revenue officers sufficient to guard the transportation of goods, not only from one province to another, but from one shop to another. It subjects not only the dealers in some sorts of goods, but those in all sorts, every farmer, every manufacturer, every merchant and shop-keeper, to the continual visits and examination of the tax gatherers. Through the greater part of a country in which a tax of this kind is established, nothing can be produced for distant sale. The produce of every part of the country must be proportioned to the consumption of the neighbourhood. It is to the Alcaulal, accordingly, that Ustaritz imputes the ruin of the manufactures of Spain. He might have imputed to it likewise the declension of agriculture, it being imposed not only upon manufactures, but upon the rude produce of the land.

In the kingdom of Naples there is a similar tax of three per cent. upon the value of all contracts, and consequently upon that

* Memoires concernant les Droits, &c. tom. i. p. 455.
of all contracts of sale. It is both lighter than the Spanish tax, and the greater part of towns and parishes are allowed to pay a composition in lieu of it. They levy this composition in what manner they please, generally in a way that gives no interruption to the interior commerce of the place. The Neapolitan tax, therefore, is not so ruinous as the Spanish one.

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

In France, the different revenue laws which take place in the different provinces, require a multitude of revenue officers to surround, not only the frontiers of the kingdom, but those of almost each particular province, in order either to prevent the importation
importation of certain goods, or to subject it to the payment of
certain duties; to the no small interruption of the interior com-
merce of the country. Some provinces are allowed to compound
for the gabelle or salt-tax. Others are exempted from it alto-
gether. Some provinces are exempted from the exclusive sale of
tobacco, which the farmers-general enjoy through the greater part
of the kingdom. The aides, which correspond to the excise in
England, are very different in different provinces. Some pro-
vinces are exempted from them, and pay a composition or equi-
valent. In those in which they take place and are in farm, there
are many local duties which do not extend beyond a particular
town or district. The Traites, which correspond to our cus-
toms, divide the kingdom into three great parts; first, the pro-
vinces subject to the tariff of 1664, which are called the pro-
vinces of the five great farms, and under which are com-pre-
hended Picardy, Normandy, and the greater part of the interior
provinces of the kingdom; secondly, the provinces subject to the
tariff of 1667, which are called the provinces reckoned foreign,
and under which are comprehended the greater part of the fron-
tier provinces; and, thirdly, those provinces which are said to be
treated as foreign, or which, because they are allowed a free
commerce with foreign countries, are in their commerce with
the other provinces of France subjected to the same duties as
other foreign countries. These are Alsace, the three bishoprics
of Metz, Toul, and Verdun, and the three cities of Dunkirk,
Bayonne, and Marseille. Both in the provinces of the five
great farms, (called so on account of an ancient division of the
duties of customs into five great branches, each of which was
originally the subject of a particular farm, though they are now
all united into one) and in those which are said to be reckoned
foreign, there are many local duties which do not extend beyond
a particular town or district. There are some such even in the
provinces.
provinces which are said to be treated as foreign, particularly in the city of Marseille. It is unnecessary to observe how much both the restraints upon the interior commerce of the country, and the number of the revenue officers must be multiplied, in order to guard the frontiers of those different provinces and districts, which are subject to such different systems of taxation.

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

Such various and complicated revenue laws are not peculiar to France. The little duchy of Milan is divided into six provinces, in each of which there is a different system of taxation, with regard to several different sorts of consumable goods. The still smaller territories of the duke of Parma are divided into three or four, each of which has, in the same manner, a system of its own. Under such absurd management, nothing but the great fertility of the soil and happiness of the climate could preserve such countries from soon relapsing into the lowest state of poverty and barbarism.

Taxes upon consumable commodities may either be levied by an administration of which the officers are appointed by government,
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rent, and are immediately accountable to government, of which the revenue must in this case vary from year to year, according to the occasional variations in the produce of the tax; or they may be left in farm for a rent certain, the farmer being allowed to appoint his own officers, who, though obliged to levy the tax in the manner directed by the law, are under his immediate inspection, and are immediately accountable to him. The best and most frugal way of levying a tax can never be by farm. Over and above what is necessary for paying the stipulated rent, the salaries of the officers, and the whole expense of administration, the farmer must always draw from the produce of the tax a certain profit proportioned at least to the advance which he makes, to the risk which he runs, to the trouble which he is at, and to the knowledge and skill which it requires to manage so very complicated a concern. Government, by establishing an administration under their own immediate inspection of the same kind with that which the farmer establishes, might at least save this profit which is almost always exorbitant. To farm any considerable branch of the public revenue, requires either a great capital or a great credit; circumstances which would alone restrain the competition for such an undertaking to a very small number of people. Of the few who have this capital or credit, a still smaller number have the necessary knowledge or experience; another circumstance which restrains the competition still further. The very few who are in condition to become competitors find it more for their interest to combine together; to become co-partners instead of competitors, and when the farm is set up to auction to offer no rent, but what is much below the real value. In countries where the public revenues are in farm, the farmers are generally the most opulent people. Their wealth would alone excite the public indignation, and the vanity which almost always accompanies such upstart fortunes, the foolish ostentation with
with which they commonly display that wealth, excites that indignation still more.

The farmers of the public revenue never find the laws too severe, which punish any attempt to evade the payment of a tax. They have no bowels for the contributors, who are not their subjects, and whose universal bankruptcy, if it should happen the day after their farm is expired, would not much affect their interest. In the greatest exigencies of the state, when the anxiety of the sovereign for the exact payment of his revenue is necessarily the greatest, they seldom fail to complain that without laws more rigorous than those which actually take place, it will be impossible for them to pay even the usual rent. In those moments of public distress their demands cannot be disputed. The revenue laws, therefore, become gradually more and more severe. The most sanguinary are always to be found in countries where the greater part of the public revenue is in farm. The mildest, in countries where it is levied under the immediate inspection of the sovereign. Even a bad sovereign feels more compassion for his people than can ever be expected from the farmers of his revenue. He knows that the permanent grandeur of his family depends upon the prosperity of his people, and he will never knowingly ruin that prosperity for the sake of any momentary interest of his own. It is otherwise with the farmers of his revenue, whose grandeur may frequently be the effect of the ruin, and not of the prosperity of his people.

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

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

The finances of France seem, in their present state, to admit of three very obvious reformations. First, by abolishing the taille and the capitation, and by increasing the number of vingtièmes, so as to produce an additional revenue equal to the amount of those other taxes, the revenue of the crown might be preserved; the expense of collection might be much diminished; the vexation of the inferior ranks of people, which the taille and capitation occasion, might be entirely prevented; and the superior ranks might not be more burdened than the greater part of them are at present. The vingtième, I have already observed, is a tax very nearly of the same kind with what is called the land-tax of England. The burden of the taille, it is acknowledged, falls finally upon the proprietors of land; and as the greater part of the capitation is assessed upon those who are subject to the taille at so much a pound of that other tax, the final payment of the greater part of it must likewise fall upon the same order of people. Though the number of the vingtièmes, therefore, was increased so as to produce an additional revenue equal to the amount of both those taxes, the superior ranks of people might not be more burdened than they are at present. Many individuals no doubt would; on account of the great inequalities with which the taille is commonly afflicted upon the estates and tenants of different individuals. The interest and opposition of such favoured subjects are the obstacles most likely to prevent this or any other reformation of the same kind. Secondly, by rendering the gabelle, the aides, the taxes upon tobacco, all their different customs and excises uniform in all the different parts of the kingdom, those taxes might be levied at much less expense, and the interior commerce of the kingdom might be rendered as free as that of England. Thirdly, and lastly,
by subjecting all those taxes to an administration under the immediate inspection and direction of government, the exorbitant profits of the farmers general might be added to the revenue of the state. The opposition arising from the private interest of individuals, is likely to be as effectual for preventing the two last as the first mentioned scheme of reformation.

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

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

After all the proper subjects of taxation have been exhausted, if the exigencies of the state still continue to require new taxes, they must be imposed upon improper ones. The taxes upon the necessaries of life, therefore, may be no impeachment of the wisdom of that republic, which, in order to acquire and to maintain its independency, has, in spite of its great frugality, been involved in such expensive wars as have obliged it to contract great debts. The singular countries of Holland and Zeeland, besides, require a considerable expence even to preserve their existence, or to prevent their being swallowed up by the sea, which must have contributed to increase considerably the load of taxes in those two provinces. The republican form of government seems to be the principal support of the present grandeur of Holland. The owners of great capitals, the great mercantile families, have generally either some

Y y y 2 direct
direct share, or some indirect influence in the administration of that government. For the sake of the respect and authority which they derive from this situation, they are willing to live in a country where their capital, if they employ it themselves, will bring them less profit, and if they lend it to another, less interest; and where the very moderate revenue which they can draw from it will purchase less of the necessaries and conveniences of life than in any other part of Europe. The residence of such wealthy people necessarily keeps alive, in spite of all disadvantages, a certain degree of industry in the country. Any public calamity which should destroy the republican form of government, which should throw the whole administration into the hands of nobles and of soldiers, which should annihilate altogether the importance of those wealthy merchants, would soon render it disagreeable to them to live in a country where they were no longer likely to be much respected. They would remove both their residence and their capital to some other country, and the industry and commerce of Holland would soon follow the capitals which supported them.
CHAP. III.

Of publick Debts.

In that rude state of society which precedes the extension of commerce and the improvement of manufactures, when those expensive luxuries which commerce and manufactures can alone introduce, are altogether unknown, the person who possesses a large revenue, I have endeavoured to show in the third book of this inquiry, can spend or enjoy that revenue in no other way than by maintaining nearly as many people as it can maintain. A large revenue may at all times be laid to confit in the command of a large quantity of the necessaries of life. In that rude state of things it is commonly paid in a large quantity of those necessaries, in the materials of plain food and coarse clothing, in corn and cattle, in wool and raw hides. When neither commerce, nor manufactures, furnish any thing for which the owner can exchange the greater part of those materials which are over and above his own consumption, he can do nothing with the surplus but feed and clothe nearly as many people as it will feed and clothe. A hospitality in which there is no luxury, and a liberality in which there is no ostentation, occasion, in this situation of things, the principal expenses of the rich and the great. But these, I have likewise endeavoured to show in the same book, are expenses by which people are not very apt to ruin themselves. There is not perhaps any selfish pleasure so frivolous, of which the pursuit has not sometimes ruined even sensible men. A passion for cock-fighting has ruined many. But the instances, I believe, are not very numerous of people who have been ruined by a hospitality or liberality of this kind, though the hospitality of luxury and the liberality of ostentation have ruined many. Among our feudal ancestors, the long time during which
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estates used to continue in the same family sufficiently demonstrates the general disposition of people to live within their income. Though the rustic hospitality constantly exercised by the great landlords may not to us in the present times seem consistent with that order which we are apt to consider as inseparably connected with good oeconomy, yet we must certainly allow them to have been at least so far frugal as not commonly to have spent their whole income. A part of their wool and raw hides they had generally an opportunity of selling for money. Some part of this money perhaps they spent in purchasing the few objects of vanity and luxury with which the circumstances of the times could furnish them; but some part of it they seem commonly to have hoarded. They could not well indeed do any thing else but hoard whatever money they saved. To trade was disgraceful to a gentleman, and to lend money at interest, which at that time was considered as usury and prohibited by law, would have been still more so. In those times of violence and disorder, besides, it was convenient to have a hoard of money at hand, that in case they should be driven from their own home they might have something of known value to carry with them to some place of safety. The same violence which made it convenient to hoard, made it equally convenient to conceal the hoard. The frequency of treasure trove, or of treasure found of which no owner was known, sufficiently demonstrates the frequency in those times both of hoarding and of concealing the hoard. Treasure-trove was then considered as an important branch of the revenue of the sovereign. All the treasure-trove of the kingdom would scarce perhaps in the present times make an important branch of the revenue of a private gentleman of a good estate.

The same disposition to save and to hoard prevailed in the sovereign, as well as in the subjects. Among nations to whom commerce and manufactures are little known, the sovereign, it has already
already been observed in the fourth book, is in a situation which naturally disposes him to the parsimony requisite for accumulation.

In that situation the expence even of a sovereign cannot be directed by that vanity which delights in the gaudy finery of a court. The ignorance of the times affords but few of the trinkets in which that finery consists. Standing armies are not then necessary, so that the expence even of a sovereign, like that of any other great lord, can be employed in scarce any thing but bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance; though vanity almost always does. All the antient sovereigns of Europe accordingly, it has already been observed, had treasures. Every Tartar chief in the present times is said to have one.

In a commercial country abounding with every sort of expensive luxury, the sovereign, in the same manner as almost all the great proprietors in his dominions, naturally spends a great part of his revenue in purchasing those luxuries. His own and the neighbouring countries supply him abundantly with all the costly trinkets which compose the splendid, but insignificant pageantry of a court. For the sake of an inferior pageantry of the same kind, his nobles dismiss their retainers, make their tenants independent, and become gradually themselves as insignificant as the greater part of the wealthy burghers in his dominions. The same frivolous passions which influence their conduct influence his. How can it be supposed that he should be the only rich man in his dominions who is insensible to pleasures of this kind? If he does not, what is very likely to do, spend upon those pleasures so great a part of his revenue as to debilitate very much the defensive power of the state, it cannot well be expected that he should not spend upon them all that part of it which is over and above what is necessary for supporting that defensive power. His ordinary expence be-
comes equal to his ordinary revenue, and it is well if it does not
frequently exceed it. The amassing of treasure can no longer be
expected, and when extraordinary exigencies require extraordinary
expences, he must necessarily call upon his subjects for an extraor-
dinary aid. The present and the late king of Prussia are the only
great princes of Europe who, since the death of Henry IV. of
France in 1610, are supposed to have amassed any considerable
treasure. The parsimony which leads to accumulation has become
almost as rare in republican as in monarchical governments. The
Italian republics, the United Provinces of the Netherlands, are
all in debt. The canton of Berne is the single republic in Europe
which has amassed any considerable treasure. The other Swiss
republics have not. The taste for some sort of pageantry, for
splendid buildings, at least, and other publick ornaments, fre-
quently prevails as much in the apparently sober senate-house of a
little republic as in the dissipated court of the greatest king.

The want of parsimony in time of peace, imposes the necessity
of contracting debt in time of war. When war comes, there is
no money in the treasury but what is necessary for carrying on the
ordinary expence of the peace establishment. In war an establish-
ment of three or four times that expence becomes necessary for the
defence of the state, and consequently a revenue three or four times
greater than the peace revenue. Supposing that the sovereign should
have, what he scarce ever has, the immediate means of augmenting
his revenue in proportion to the augmentation of his expence, yet
still the produce of the taxes from which this increase of revenue
must be drawn will not begin to come into the treasury till per-
haps ten or twelve months after they are imposed. But the moment
in which war begins, or rather the moment in which it appears
likely to begin, the army must be augmented, the fleet must be
fitted out, the garrisoned towns must be put into a posture of defence;
that army, that fleet, those garrisoned towns must be furnished with arms, ammunition and provisions. An immediate and great expense must be incurred in that moment of immediate danger, which will not wait for the gradual and slow returns of the new taxes. In this exigency government can have no other resource but in borrowing.

The same commercial state of society which, by the operation of moral causes, brings government in this manner into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. If it commonly brings along with it the necessity of borrowing, it likewise brings along with it the facility of doing so.

A country abounding with merchants and manufacturers, necessarily abounds with a set of people through whose hands, not only their own capitals, but the capitals of all those who either lend them money, or trust them with goods, pass as frequently, or more frequently, than the revenue of a private man, who, without trade or business, lives upon his income, passes through his hands. The revenue of such a man can regularly pass through his hands only once in the year. But the whole amount of the capital and credit of a merchant who deals in a trade of which the returns are very quick, may sometimes pass through his hands two, three, or four times in a year. A country abounding with merchants and manufacturers, therefore, necessarily abounds with a set of people who have it at all times in their power to advance, if they choose to do so, a very large sum of money to government. Hence the ability in the subjects of a commercial state to lend.

Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in the possession of their
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their property, in which the faith of contracts is not supported by
law, and in which the authority of the state is not supposed to
be regularly employed in enforcing the payment of debts from all
those who are able to pay. Commerce and manufactures, in
short, can seldom flourish in any state in which there is not a
certain degree of confidence in the justice of government. The
same confidence which disposes great merchants and manufac-
turers, upon ordinary occasions, to trust their property to the pro-
tection of a particular government, disposes them, upon extraor-
dinary occasions, to trust that government with the use of their
property. By lending money to government, they do not even
for a moment diminish their ability to carry on their trade and
manufactures. On the contrary, they commonly augment it.
The necessities of the state render government upon most oc-
casions willing to borrow upon terms extremely advantageous
to the lender. The security which it grants to the original
creditor, is made transferable to any other creditor, and, from
the universal confidence in the justice of the state, generally
sells in the market for more than was originally paid for it. The
merchant or moneyed man makes money by lending money to gov-
ernment, and instead of diminishing, increases his trading capi-
tal. He generally considers it as a favour, therefore, when the
administration admits him to a share in the first subscription for
a new loan. Hence the inclination or willingness in the subjects
of a commercial state to lend.

The government of such a state is very apt to repose itself
upon this ability and willingness of its subjects to lend it their
money on extraordinary occasions. It foresees the facility of bor-
rowing, and therefore dispenses itself from the duty of saving.

In a rude state of society there are no great mercantile or
manufacturing capitals. The individuals who hoard whatever
money
money they can safe, and who conceal their hoard, do so from a distrust of the justice of government, from a fear that if it was known that they had a hoard, and where that hoard was to be found, they would quickly be plundered. In such a state of things few people would be able, and nobody would be willing to lend their money to government on extraordinary exigencies. The sovereign feels that he must provide for such exigencies by saving, because he foresees the absolute impossibility of borrowing. This foresight increases still further his natural disposition to save.

The progress of the enormous debts which at present oppress, and will in the long-run probably ruin all the great nations of Europe, has been pretty uniform. Nations, like private men, have generally begun to borrow upon what may be called personal credit, without assigning or mortgaging any particular fund for the payment of the debt; and when this resource has failed them, they have gone on to borrow upon assignments or mortgages of particular funds.

What is called the unfunded debt of Great Britain, is contracted in the former of those two ways. It consists partly in a debt which bears or is supposed to bear no interest, and which resembles the debts that a private man contracts upon account; and partly in a debt which bears interest, and which resembles what a private man contracts upon his bill or promissory note. The debts which are due either for extraordinary services, or for services either not provided for, or not paid at the time when they are performed; part of the extraordinaries of the army, navy, and ordnance, the arrears of subsidies to foreign princes, those of seamen's wages, &c. usually constitute a debt of the first kind. Navy and exchequer bills, which are issued sometimes in payment of a part of such debts, and sometimes for other purposes, constitute
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constitute a debt of the second kind; exchequer bills, bearing interest from the day on which they are issued, and navy bills six months after they are issued. The bank of England, either by voluntarily discounting those bills at their current value; or by agreeing with government for certain considerations to circulate Exchequer bills, that is, to receive them at par, paying the interest which happens to be due upon them, keeps up their value and facilitates their circulation, and thereby frequently enables government to contract a very large debt of this kind. In France, where there is no bank, the state bills (billets d'état) sometimes sold at sixty and seventy per cent. discount. During the great re-coinage in king William’s time, when the bank of England thought proper to put a stop to its usual transactions, exchequer bills and tallies are said to have sold from twenty-five to sixty per cent. discount; owing partly, no doubt, to the supposed instability of the new government established by the revolution, but partly too to the want of the support of the bank of England.

When this resource is exhausted, and it becomes necessary, in order to raise money, to assign or mortgage some particular branch of the public revenue, for the payment of the debt, government has upon different occasions done this in two different ways. Sometimes it has made this assignment or mortgage for a short period of time only, a year or a few years, for example; and sometimes for perpetuity. In the one case the fund was supposed sufficient to pay, within the limited time, both principal and interest of the money borrowed. In the other it was supposed sufficient to pay the interest only, or a perpetual annuity equivalent to the interest, government being at liberty to redeem at any time this annuity upon paying back the principal sum borrowed. When money was raised in the one way, it was said to be raised by anticipation; when in the other, by perpetual funding, or, more shortly, by funding.

† See Examen des Reflexions politiques sur les finances.
In Great Britain the annual land and malt taxes are regularly anticipated every year, by virtue of a borrowing clause constantly inserted into the acts which impose them. The bank of England generally advances at an interest, which since the revolution has varied from eight to three per cent. the sums for which those taxes are granted, and receives payment as their produce gradually comes in. If there is a deficiency, which there always is, it is provided for in the supplies of the ensuing year. The only considerable branch of the public revenue which yet remains unmortgaged is thus regularly spent before it comes in. Like an un provident spendthrift, whose pressing occasions will not allow him to wait for the regular payment of his revenue, the state is in the constant practice of borrowing of its own factors and agents, and of paying interest for the use of its own money.

In the reign of King William, and during a great part of that of Queen Anne, before we had become so familiar as we are now with the practice of perpetual funding, the greater part of the new taxes were imposed but for a short period of time, (for four, five, six, or seven years only) and a great part of the grants of every year consisted in loans upon anticipations of the produce of those taxes. The produce being frequently insufficient for paying within the limited term the principal and interest of the money borrowed, deficiencies arose, to make good which it became necessary to prolong the term.

In 1697, by the 8th of William III, c. 20. the deficiencies of several taxes were charged upon what was then called the first general mortgage or fund, consisting of a prolongation to the first of August, 1706; of several different taxes, which would have expired within a shorter term, and of which the produce was accumulated into one general fund. The deficiencies charged upon this prolonged term amounted to 5,160,459 l. 14 s. 9 d.
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In 1701 those duties with some others were still further prolonged for the like purposes till the first of August, 1710, and were called the second general mortgage or fund. The deficiencies charged upon it amounted to £2,955,999 l. 7 s. 11½ d.

In 1707, those duties were still further prolonged, as a fund for new loans, to the first of August, 1712, and were called the third general mortgage or fund. The sum borrowed upon it was £983,254 l. 11 s. 9½ d.

In 1708, those duties were all (except the old subsidy of tonnage and poundage, of which one moiety only was made a part of this fund, and a duty upon the importation of Scotch linen, which had been taken off by the articles of union) still further continued, as a fund for new loans, to the first of August, 1714, and were called the fourth general mortgage or fund. The sum borrowed upon it was £925,176 l. 9 s. 2½ d.

In 1709, those duties were all (except the old subsidy of tonnage and poundage, which was now left out of this fund altogether) still further continued for the same purpose to the first of August, 1716, and were called the fifth general mortgage or fund. The sum borrowed upon it was £922,029 l. 6 s. 0d.

In 1710, those duties were again prolonged to the first of August, 1720, and were called the sixth general mortgage or fund. The sum borrowed upon it was £1,296,552 l. 9 s. 11½ d.

In 1711, the same duties (which at this time were thus subject to four different anticipations) together with several others were continued for ever, and made a fund for paying the interest of the capital of the South Sea company, which had that year advanced to government, for paying debts and making good deficiencies, the sum of £9,177,967 l. 15 s. 4 d. the greatest loan which at that time had ever been made.

Before
Before this period, the principal, so far as I have been able to observe, the only taxes which in order to pay the interest of a debt had been imposed for perpetuity, were those for paying the interest of the money which had been advanced to government by the Bank and East India company, and of what it was expected would be advanced, but which was never advanced, by a projected land-bank. The bank fund at this time amounted to 3,375,027l. 17s. 10½d. for which was paid an annuity or interest of 206,501l. 13s. 5d. The East India fund amounted to 3,200,000l. for which was paid an annuity or interest of 160,000l.; the bank fund being at six per cent, the East India fund at five per cent. interest.

In 1715, by the first of George I. c. 12, the different taxes which had been mortgaged for paying the bank annuity, together with several others which by this act were likewise rendered perpetual, were accumulated into one common fund called The Aggregate Fund, which was charged, not only with the payment of the bank annuity, but with several other annuities and burdens of different kinds. This fund was afterwards augmented by the third of George I. c. 8, and by the fifth of George I. c. 3, and the different duties which were then added to it were likewise rendered perpetual.

In 1717, by the third of George I. c. 7, several other taxes were rendered perpetual, and accumulated into another common fund, called The General Fund; for the payment of certain annuities, amounting in the whole to 724,849l. 6s. 10½d.

In consequence of those different acts, the greater part of the taxes which before had been anticipated only for a short term of years, were rendered perpetual as a fund for paying, not the capital, but the interest only, of the money which had been borrowed upon them by different successive anticipations.

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Had money never been raised but by anticipation, the course of a few years would have liberated the public revenue, without any other attention of government besides that of not overloading the fund by charging it with more debt than it could pay within the limited term, and of not anticipating a second time before the expiration of the first anticipation. But the greater part of European governments have been incapable of those attentions. They have frequently overloaded the fund even upon the first anticipation; and when this happened not to be the case, they have generally taken care to overload it by anticipating a second and a third time before the expiration of the first anticipation. The fund becoming in this manner altogether insufficient for paying both principal and interest of the money borrowed upon it, it became necessary to charge it with the interest only, or a perpetual annuity equal to the interest, and such unprovident anticipations necessarily gave birth to the more ruinous practice of perpetual funding. But though this practice necessarily puts off the liberation of the public revenue from a fixed period to one so indefinite that it is not very likely ever to arrive; yet as a greater sum can in all cases be raised by this new practice than by the old one of anticipations, the former, when men have once become familiar with it, has in the great exigencies of the state been universally preferred to the latter. To relieve the present exigency is always the object which principally interests those immediately concerned in the administration of public affairs. The future liberation of the public revenue, they leave to the care of posterity.

During the reign of queen Anne, the market rate of interest had fallen from six to five per cent. and in the twelfth year of her reign five per cent. was declared to be the highest rate which could lawfully be taken for money borrowed upon private security. Soon after the greater part of the temporary taxes of Great Britain had been rendered perpetual, and distributed into the Aggregate, South Sea, and General Funds, the creditors of the public,
publick, like those of private persons, were induced to accept ofive per cent. for the interest of their money, which occasioned a
saving of one per cent. upon the capital of the greater part of the
debts which had been thus funded for perpetuity, or of one-sixth
of the greater part of the annuities which were paid out of the
three great funds above mentioned. This saving left a considerable
surplus in the produce of the different taxes which had been accu-
mulated into those funds, over and above what was necessary for
paying the annuities which were now charged upon them, and laid
the foundation of what has since been called the Sinking Fund.
In 1717, it amounted to 323,434l. 7s. 7½d. In 1727, the in-
terest of the greater part of the public debts was still further re-
duced to four per cent.; and in 1753 and 1757, to three and a
half and three per cent.; which reductions still further augmented
the sinking fund.

A sinking fund, though instituted for the payment of old,
facilitates very much the contracting of new debts. It is a sub-
sidiary fund always at hand to be mortgaged in aid of any other
doubtful fund, upon which money is proposed to be raised in any
exigency of the state. Whether the sinking fund of Great Britain
has been more frequently applied to the one or to the other of those
two purposes, will sufficiently appear by and by.

Besides those two methods of borrowing, by anticipations and
by perpetual funding, there are two other methods, which hold a
sort of middle place between them. These are, that of borrowing
upon annuities for terms of years, and that of borrowing upon
annuities for lives.

During the reigns of king William and queen Anne, large sums
were frequently borrowed upon annuities for terms of years, which
were sometimes longer and sometimes shorter. In 1693, an act was passed for borrowing one million upon an annuity of fourteen per cent. or of 140,000l. a year for sixteen years. In 1691, an act was passed for borrowing a million upon annuities for lives, upon terms which in the present times would appear very advantageous. But the subscription was not filled up. In the following year the deficiency was made good by borrowing upon annuities for lives at fourteen per cent. or at little more than seven years purchase. In 1695, the persons who had purchased those annuities were allowed to exchange them for others of ninety-six years, upon paying into the Exchequer sixty-three pounds in the hundred; that is, the difference between fourteen per cent. for life, and fourteen per cent. for ninety-six years, was sold for sixty-three pounds, or for four and a half years purchase. Such was the supposed instability of government, that even these terms procured few purchasers. In the reign of queen Anne, money was upon different occasions borrowed both upon annuities for lives, and upon annuities for terms of thirty-two, of eighty-nine, of ninety-eight, and of ninety-nine years. In 1719, the proprietors of the annuities for thirty-two years were induced to accept in lieu of them South-sea stock to the amount of eleven and a half years purchase of the annuities, together with an additional quantity of stock equal to the arrears which happened then to be due upon them. In 1720, the greater part of the other annuities for terms of years, both long and short were subscribed into the same fund. The long annuities at that time amounted to 666,821l. 8s. 3d. a year. On the 5th of January, 1775, the remainder of them, or what was not subscribed at that time, amounted only to 136,453l. 12s. 8d.

During the two wars which began in 1739, and in 1755, little money was borrowed either upon annuities for terms of years, or upon.
upon those for lives. An annuity for ninety-eight or ninety-nine years, however, is worth nearly as much money as a perpetuity, and should therefore, one might think, be a fund for borrowing nearly as much. But those who, in order to make family settlements, and to provide for remote futurity, buy into the public stocks, would not care to purchase into one of which the value was continually diminishing; and such people make a very considerable proportion both of the proprietors and purchasers of stock. An annuity for a long term of years therefore, though its intrinsic value may be very nearly the same with that of a perpetual annuity, will not find nearly the same number of purchasers. The subscribers to a new loan, who mean generally to sell their subscription as soon as possible, prefer greatly a perpetual annuity redeemable by parliament, to an irredeemable annuity for a long term of years of only equal amount. The value of the former may be supposed always the same or very nearly the same, and it makes therefore a more convenient transferable stock than the latter.

During the two last mentioned wars, annuities either for terms of years or for lives were seldom granted but as premiums to the subscribers to a new loan, over and above the redeemable annuity or interest upon the credit of which the loan was supposed to be made. They were granted, not as the proper fund upon which the money was borrowed; but as an additional encouragement to the lender.

Annuities for lives have occasionally been granted in two different ways; either upon separate lives, or upon lots of lives, which in French are called Tontines, from the name of their inventor. When annuities are granted upon separate lives, the death of every individual annuitant disburthens the public revenue so far as it was affected by his annuity. When annuities are

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granted upon tontines, the liberation of the public revenue does not commence till the death of all the annuitants comprehended in one lot, which may sometimes consist of twenty or thirty persons, of whom the survivors succeed to the annuities of all those who die before them; the last survivor succeeding to the annuities of the whole lot. Upon the same revenue more money can always be raised by tontines than by annuities for separate lives. An annuity, with a right of survivorship, is really worth more than an equal annuity for a separate life, and from the confidence which every man naturally has in his own good fortune, the principle upon which is founded the success of all lotteries, such an annuity generally sells for something more than it is worth. In countries where it is usual for government to raise money by granting annuities, tontines are upon this account generally preferred to annuities for separate lives. The expedient which will raise most money, is almost always preferred to that which is likely to bring about in the speediest manner the liberation of the public revenue.

In France a much greater proportion of the public debts consists in annuities for lives than in England. According to a memoir presented by the parliament of Bourdeaux to the king, in 1764, the whole public debt of France is estimated at twenty-four hundred millions of livres; of which the capital for which annuities for lives had been granted, is supposed to amount to three hundred millions, the eighth-part of the whole public debt. The annuities themselves are computed to amount to thirty millions a year, the fourth part of one hundred and twenty millions, the supposed interest of that whole debt. These estimations, I know very well, are not exact; but having been presented by so very respectable a body as approximations to the truth, they may, I apprehend, be considered as such. It is not the different degrees of anxiety in the two governments of France and
and England for the liberation of the public revenue, which occasions this difference in their respective modes of borrowing. It arises altogether from the different views and interests of the lenders.

In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it they do not mean to diminish, but, on the contrary, to increase their mercantile capitals; and unless they expected to sell with some profit their share in the subscription for a new loan, they never would subscribe. But if by advancing their money they were to purchase, instead of perpetual annuities, annuities for lives only, whether their own or those of other people, they would not always be so likely to sell them with a profit. Annuities upon their own lives they would always sell with loss, because no man will give for an annuity upon the life of another, whose age and state of health are nearly the same with his own, the same price which he would give for one upon his own. An annuity upon the life of a third person, indeed, is, no doubt, of equal value to the buyer and the seller; but its real value begins to diminish from the moment it is granted, and continues to do so more and more as long as it subsists. It can never, therefore, make so convenient a transferable stock as a perpetual annuity, of which the real value may be supposed always the same, or very nearly the same.

In France, the seat of government not being in a great mercantile city, merchants do not make so great a proportion of the people who advance money to government. The people concerned in the finances, the farmers general, the receivers of the taxes which are not in farm, the court bankers, &c., make the greater part of those who advance their money in all public exigencies. Such people are commonly men of mean birth, but of great wealth, and fre-
quently of great pride. They are too proud to marry their equals, and women of quality disdain to marry them. They frequently resolve, therefore, to live bachelors, and having neither any families of their own, nor much regard for those of their relations, whom they are not always very fond of acknowledging, they desire only to live in splendor during their own time, and are not unwilling that their fortune should end with themselves. The number of rich people, besides, who are either averse to marry, or whose condition of life renders it either improper or inconvenient for them to do so, is much greater in France than in England. To such people, who have little or no care for posterity, nothing can be more convenient than to exchange their capital for a revenue, which is to last just as long as, and no longer than, they wish it to do.

The ordinary expense of the greater part of modern governments in time of peace being equal or nearly equal to their ordinary revenue, when war comes they are both unwilling and unable to increase their revenue in proportion to the increase of their expense. They are unwilling, for fear of offending the people, who, by so great and so sudden an increase of taxes, would soon be disgusted with the war; and they are unable, from not well knowing what taxes would be sufficient to produce the revenue wanted. The facility of borrowing delivers them from the embarrassment which this fear and inability would otherwise occasion. By means of borrowing they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war, and by the practice of perpetual funding they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconvenience from the war;
war; but enjoy, at their ease, the amusement of reading in the news-papers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to their amusement, and to a thousand visionary hopes of conquest, and national glory, from a longer continuance of the war.

The return of peace, indeed, seldom relieves them from the greater part of the taxes imposed during the war. These are mortgaged for the interest of the debt contracted in order to carry it on. If, over and above paying the interest of this debt, and defraying the ordinary expense of government, the old revenue, together with the new taxes, produce some surplus revenue, it may perhaps be converted into a sinking fund for paying off the debt. But, in the first place, this sinking fund, even supposing it should be applied to no other purpose, is generally altogether inadequate for paying, in the course of any period during which it can reasonably be expected that peace should continue, the whole debt contracted during the war; and, in the second place, this fund is almost always applied to other purposes.

The new taxes were imposed for the sole purpose of paying the interest of the money borrowed upon them. If they produce more, it is generally something which was neither intended nor expected, and is therefore seldom very considerable. Sinking funds have generally arisen, not so much from any surplus of the taxes which was over and above what was necessary for paying the interest or annuity originally charged upon them, as from a subsequent reduction of that interest. That of Holland in 1655, and that of the ecclesiastical state in 1685, were both formed in this manner. Hence the usual insufficiency of such funds.
During the most profound peace, various events occur which require an extraordinary expence, and government finds it always more convenient to defray this expence by misapplying the sinking fund than by imposing a new tax. Every new tax is immediately felt more or less by the people. It occasions always some murmur, and meets with some opposition. The more taxes may have been multiplied, the higher they may have been raised upon every different subject of taxation; the more loudly the people complain of every new tax, the more difficult it becomes to either to find out new subjects of taxation, or to raise much higher the taxes already imposed upon the old. A momentary suspension of the payment of debt is not immediately felt by the people, and occasions neither murmur nor complaint. To borrow of the sinking fund is always an obvious and easy expedient for getting out of the present difficulty. The more the public debts may have been accumulated, the more necessary it may have become to study to reduce them; the more dangerous, the more ruinous it may be to misapply any part of the sinking fund; the less likely is the public debt to be reduced to any considerable degree, the more likely, the more certainly is the sinking fund to be misapplied towards defraying all the extraordinary expences which occur in time of peace. When a nation is already overburdened with taxes, nothing but the necessities of a new war, nothing but either the animosity of national vengeance, or the anxiety for national security, can induce the people to submit, with tolerable patience, to a new tax. Hence the usual misapplication of the sinking fund.

In Great Britain, from the time that we had first recourse to the ruinous expedient of perpetual funding, the reduction of the public debt in time of peace, has never borne any proportion to its accumulation in time of war. It was in the war which began in 1688, and was concluded by the treaty of Ryfwick in 1697, that the foundation of the present enormous debt of Great Britain was first laid.
On the 31st of December, 1697, the public debts of Great Britain, funded and unfunded, amounted to 21,515,742l. 13s. 8½d. A great part of those debts had been contracted upon short anticipations, and some part upon annuities for lives; so that before the 31st of December, 1701, in less than four years, there had partly been paid off, and partly reverted to the public, the sum of 5,121,041l. 12s. 0½d.; a greater reduction of the public debt than has ever since been brought about in so short a period of time. The remaining debt, therefore, amounted only to 16,394,701l. 1s. 7½d.

In the war which began in 1702, and which was concluded by the treaty of Utrecht, the public debts were still more accumulated. On the 31st of December, 1714, they amounted to 53,681,076l. 5s. 6½d. The subscription into the South Sea fund of the long and short annuities increased the capital of the public debts, so that on the 31st of December, 1722, it amounted to 55,282,978l. 1s. 3½d. The reduction of the debt began in 1723, and went on so slowly that, on the 31st of December, 1739, during seventeen years of profound peace, the whole sum paid off was no more than 8,328,354l. 17s. 11½d. The capital of the public debt at that time amounted to 46,954,623l. 3s. 4½d.

The Spanish war, which began in 1739, and the French war which soon followed it, occasioned a further increase of the debt, which, on the 31st of December, 1748, after the war had been concluded by the treaty of Aix la Chapelle, amounted to 78,293,313l. 1s. 10½d. The most profound peace of seventeen years continuance had taken no more than 8,328,354l. 17s. 11½d. from it. A war of less than nine years continuance added 3,133,868l. 1s. 6½d. to it.*

During the administration of Mr. Pelham, the interest of the public debt was reduced, or at least measures were taken for reducing it.

* See James Paley's history of the public revenue.
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ing it, from four to three per cent.; the sinking fund was increased, and some part of the public debt was paid off. In 1755, before the breaking out of the late war, the funded debt of Great Britain amounted to 72,289,673 l. On the 5th of January, 1763, at the conclusion of the peace, the funded debt amounted to 122,603,336 l. 8 s. 2 ½ d. The unfunded debt has been stated at 13,927,589 l. 2 s. 2 d. But the expense occasioned by the war did not end with the conclusion of the peace; so that though on the 5th of January, 1764, the funded debt was increased (partly by a new loan, and partly by funding a part of the unfunded debt) to 129,586,789 l. 10 s. 1 ½ d., there still remained (according to the very well informed author of the Considerations on the trade and finances of Great Britain) an unfunded debt, which was brought to account in that and the following year, of 9,975,017 l. 12 s. 2 ½ d. In 1764, therefore, the public debt of Great Britain, funded and unfunded together, amounted, according to this author, to 139,561,807 l. 2 s. 4 d. The annuities for lives too, which had been granted as premiums to the subscribers to the new loans in 1757, estimated at fourteen years purchase, were valued at 472,500 l.; and the annuities for long terms of years, granted as premiums likewise, in 1761 and 1762, estimated at 27½ years purchase, were valued at 6,826,875 l. During a peace of about seven years continuance, the prudent and truly patriotic administration of Mr. Pelham, was not able to pay off an old debt of six millions. During a war of nearly the same continuance, a new debt of more than seventy-five millions was contracted.

On the 5th of January, 1775, the funded debt of Great Britain amounted to 124,996,086 l. 1 s. 6 ½ d. The unfunded, exclusive of a large civil list debt, to 4,150,236 l. 3 s. 11½ d. Both together, to 129,146,322 l. 5 s. 6 d. According to this account the whole debt paid off during eleven years profound peace amounted only to 10,415,474 l. 16 s. 9 ½ d. Even this small
made in the general capital of the society. At the conclusion of
the late war, the most expensive that Great Britain ever waged,
hers agriculture was as flourishing, her manufacturers as numerous
and as fully employed, and her commerce as extensive, as they had
ever been before. The capital, therefore, which supported all
those different branches of industry, must have been equal to what
it had ever been before. Since the peace, agriculture has been still
further improved, the rents of houses have risen in every town and
village of the country, a proof of the increasing wealth and revenue
of the people; and the annual amount of the greater part of
the old taxes, of the principal branches of the excise and customs
in particular, has been continually increasing, an equally clear
proof of an increasing consumption, and consequently of an in-
creasing produce, which could alone support that consumption.
Great Britain seems to support with ease, a burden which, half a
century ago, nobody believed her capable of supporting. Let us
not, however, upon this account rashly conclude that she is capa-
bale of supporting any burden; nor even be too confident that she
could support, without great distress, a burden a little greater than
what has already been laid upon her.

When national debts have once been accumulated to a certain
degree, there is scarce, I believe, a single instance of their having
been fairly and completely paid. The liberation of the public
revenue, if it has ever been brought about at all, has always been
brought about by a bankruptcy; sometimes by an avowed one,
but always by a real one, though frequently by a pretended pay-
ment.

The raising of the denomination of the coin has been the most
usual expedient by which a real public bankruptcy has been dis-
guised under the appearance of a pretended payment. If a sixpence,
for example, should either by act of parliament or royal proclamation be raised to the denomination of a shilling, and twenty sixpences to that of a pound sterling; the person who under the old denomination had borrowed twenty shillings, or near four ounces of silver, would, under the new, pay with twenty sixpences, or with something less than two ounces. A national debt of about a hundred and twenty-eight millions, nearly the capital of the funded and unfunded debt of Great Britain, might in this manner be paid with about sixty-four millions of our present money. It would indeed be a pretended payment only, and the creditors of the public would really be defrauded of ten shillings in the pound of what was due to them. The calamity too would extend much further than to the creditors of the public, and those of every private person would suffer a proportionable loss; and this without any advantage, but in most cases with a great additional loss, to the creditors of the public. If the creditors of the public indeed were generally much in debt to other people, they might in some measure compensate their loss by paying their creditors in the same coin in which the public had paid them. But in most countries the creditors of the public are, the greater part of them, wealthy people, who stand more in the relation of creditors than in that of debtors towards the rest of their fellow citizens. A pretended payment of this kind, therefore, instead of alleviating, aggravates in most cases the loss of the creditors of the public; and without any advantage to the public extends the calamity to a great number of other innocent people. It occasions a general and most pernicious subversion of the fortunes of private people; enriching in most cases the idle and profuse debtor at the expense of the industrious and frugal creditor, and transporting a great part of the national capital, from the hands which were likely to encrease and improve it, to those which are likely to dissipate and destroy it. When it becomes necessary for a state to declare
declare itself bankrupt, in the same manner as when it becomes necessary for an individual to do so, a fair, open, and avowed bankruptcy is always the measure which is both least dishonourable to the debtor, and least hurtful to the creditor. The honour of a state is surely very poorly provided for, when, in order to cover the disgrace of a real bankruptcy, it has recourse to a juggling trick of this kind, so easily seen through, and at the same time so extremely pernicious.

Almost all states, however, ancient as well as modern, when reduced to this necessity, have, upon some occasions, played this very juggling trick. The Romans, at the end of the first Punic war, reduced the As, the coin or denomination by which they computed the value of all their other coins, from containing twelve ounces of copper to contain only two ounces; that is, they raised two ounces of copper to a denomination which had always before expressed the value of twelve ounces. The republic was, in this manner, enabled to pay the great debts which it had contracted with the sixth part of what it really owed. So sudden and so great a bankruptcy, we should in the present times be apt to imagine, must have occasioned a very violent popular clamour. It does not appear to have occasioned any. The law which enacted it was, like all other laws relating to the coin, introduced and carried through the assembly of the people by a tribune, and was probably a very popular law. In Rome, as in all the other ancient republics, the poor people were constantly in debt to the rich and the great, who, in order to secure their votes at the annual elections, used to lend them money at exorbitant interest, which, being never paid, soon accumulated into a sum too great either for the debtor to pay, or for any body else to pay for him. The debtor, for fear of a very severe execution, was obliged, without any further gratuity, to vote for the candidate whom the creditor recommended. In spite of all the

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laws against bribery and corruption, the bounty of the candidates, together with the occasional distributions of corn, which were ordered by the senate, were the principal funds from which, during the later times of the Roman republic, the poorer citizens derived their subsistence. To deliver themselves from this subjection to their creditors, the poorer citizens were continually calling out either for an entire abolition of debts, or for what they called New Tables; that is, for a law which should entitle them to a complete acquittance, upon paying only a certain proportion of their accumulated debts. The law which reduced the coin of all denominations to a sixth part of its former value, as it enabled them to pay their debts with a sixth part of what they really owed, was equivalent to the most advantageous new tables. In order to satisfy the people, the rich and the great were, upon several different occasions, obliged to consent to laws both for abolishing debts, and for introducing new tables; and they probably were induced to consent to this law, partly for the same reason, and partly that by liberating the public revenue, they might restore vigour to that government of which they themselves had the principal direction. An operation of this kind would at once reduce a debt of a hundred and twenty-eight millions to twenty-one millions, three hundred and thirty-three thousand, three hundred and thirty-three pounds, six shillings and eight-pence. In the course of the second punic war the As was still further reduced, first, from two ounces of copper to one ounce, and afterwards from one ounce to half an ounce; that is, to the twenty-fourth part of its original value. By combining the three Roman operations into one, a debt of a hundred and twenty-eight millions of our present money, might in this manner be reduced all at once to a debt of five millions, three hundred and thirty-three thousand, three hundred and thirty-three pounds, six shillings and eight-pence. Even the enormous debt of Great Britain might in this manner soon be paid.
Small reduction of debt, however, has not been all made from the savings out of the ordinary revenue of the state. Several extraneous sums, altogether independent of that ordinary revenue, have contributed towards it. Among these we may reckon an additional shilling in the pound land tax for three years; the two millions received from the East India company, as indemnification for their territorial acquisitions; and the one hundred and ten thousand pounds received from the bank for the renewal of their charter. To these must be added several other sums which, as they arose out of the late war, ought perhaps to be considered as deductions from the expenses of it. The principal are,

1. s. d.
The produce of French prizes 696,449 18. 9
Composition for French prisoners 670,000 0 0
What has been received from the sale of the ceded islands 95,500 0 0

Total, 1,453,949 18. 9

If we add to this sum the balance of the earl of Chatham's and Mr. Calcraft's accounts, and other army savings of the same kind, together with what has been received from the bank, the East India company, and the additional shilling in the pound land tax, the whole must be a good deal more than five millions. The debt, therefore, which since the peace has been paid out of the savings from the ordinary revenue of the state, has not, one year with another, amounted to half a million a year. The sinking fund has, no doubt, been considerably augmented since the peace, by the debt which has been paid off, by the reduction of the redeemable four per cents, to three per cents, and by the annuities for lives which have fallen in, and, if peace was to continue,
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a million perhaps might now be annually spared out of it towards the discharge of the debt. Another million, accordingly, was paid in the course of last year; but, at the same time, a large civil lift debt was left unpaid, and we are now involved in a new war which, in its progress, may prove as expensive as any of our former wars. The new debt which will probably be contracted before the end of the next campaign, may perhaps be nearly equal to all the old debt which has been paid off from the savings of the ordinary revenue of the state. It would be altogether chimerical, therefore, to expect that the public debt should ever be completely discharged by any savings which are likely to be made from that ordinary revenue as it stands at present.

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital super-added to the other capital of the country, by means of which its trade is extended, its manufactures multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only. He does not consider that the capital which the first creditors of the public advanced to government was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive labourers to maintain unproductive ones, and to be spent and wasted, generally in the course of the year, without even the hope of any future reproduction. In return for the capital which they advanced they obtained, indeed, an annuity in the public funds in most cases of more than equal value. This annuity, no doubt, replaced to them their capital, and enabled them to carry on their trade and business to the same or perhaps to a greater extent than before; that is, they were enabled either to
to borrow of other people a new capital upon the credit of this annuity, or by selling it to get from other people a new capital of their own, equal or superior to that which they had advanced to government. This new capital, however, which they in this manner either bought or borrowed of other people, must have existed in the country before, and must have been employed, as all capitals are, in maintaining productive labour. When it came into the hands of those who had advanced their money to government, though it was in some respects a new capital to them, it was not so to the country; but was only a capital withdrawn from certain employments in order to be turned towards others. Though it replaced to them what they had advanced to government, it did not replace it to the country. Had they not advanced this capital to government, there would have been in the country two capitals, two portions of the annual produce, instead of one, employed in maintaining productive labour.

When for defraying the expence of government a revenue is raised within the year from the produce of free or unmortgaged taxes, a certain portion of the revenue of private people is only turned away from maintaining one species of unproductive labour, towards maintaining another. Some part of what they pay in those taxes might no doubt have been accumulated into capital, and consequently employed in maintaining productive labour; but the greater part would probably have been spent and consequently employed in maintaining unproductive labour. The public expence, however, when defrayed in this manner, no doubt hinders more or less the further accumulation of new capital; but it does not necessarily occasion the destruction of any actually existing capital.

When the publick expence is defrayed by funding, it is defrayed by the annual destruction of some capital which had before existed in.
in the country; by the perversion of some portion of the annual produce which had before been destined for the maintenance of productive labour, towards that of unproductive labour. As in this case, however, the taxes are lighter than they would have been, had a revenue sufficient for defraying the same expence been raised within the year; the private revenue of individuals is necessarily less burthened, and consequently their ability to save and accumulate some part of that revenue into capital is a good deal less impaired. If the method of funding destroys more old capital, it at the same time hinders less the accumulation or acquisition of new capital, than that of defraying the public expence by a revenue raised within the year. Under the system of funding, the frugality and industry of private people can more easily repair the breaches which the waste and extravagance of government may occasionally make in the general capital of the society.

It is only during the continuance of war, however, that the system of funding has this advantage over the other system. Were the expence of war to be defrayed always by a revenue raised within the year, the taxes from which that extraordinary revenue was drawn would last no longer than the war. The ability of private people to accumulate, though less during the war, would have been greater during the peace than under the system of funding. War would not necessarily have occasioned the destruction of any old capitals, and peace would have occasioned the accumulation of many more new. Wars would in general be more speedily concluded, and less wantonly undertaken. The people feeling, during the continuance of the war, the complete burden of it, would soon grow weary of it, and government, in order to humour them, would not be under the necessity of carrying it on longer than it was necessary to do so. The foresight of the heavy and unavoidable burdens of war would hinder the people
people from wantonly calling for it when there was no real or solid interest to fight for. The seasons during which the ability of private people to accumulate was somewhat impaired, would occur more rarely, and be of shorter continuance. Those, on the contrary, during which that ability was in the highest vigour, would be of much longer duration than they can well be under the system of funding.

When funding, besides, has made a certain progress, the multiplication of taxes which it brings along with it sometimes impairs as much the ability of private people to accumulate even in time of peace, as the other system would in time of war. The peace revenue of Great Britain amounts at present to more than ten millions a year. If free and unmortgaged, it might be sufficient, with proper management and without contracting a shilling of new debt, to carry on the most vigorous war. The private revenue of the inhabitants of Great Britain is at present as much encumbered in time of peace, their ability to accumulate is as much impaired as it would have been in the time of the most expensive war, had the pernicious system of funding never been adopted.

In the payment of the interest of the public debt, it has been said, it is the right hand which pays the left. The money does not go out of the country. It is only a part of the revenue of one set of the inhabitants which is transferred to another; and the nation is not a farthing the poorer. This apology is founded altogether in the futility of the mercantile system, and after the long examination which I have already bestowed upon that system, it may perhaps be unnecessary to say anything further about it. It supposes, besides, that the whole public debt is owing to the inhabitants of the country, which happens not to be true; the Dutch, as well as several other foreign nations, having a very considerable share.
share in our public funds. But though the whole debt were owing to the inhabitants of the country, it would not upon that account be less pernicious.

Land and capital stock are the two original sources of all revenue both private and public. Capital stock pays the wages of productive labour, whether employed in agriculture, manufactures, or commerce. The management of those two original sources of revenue belongs to two different sets of people; the proprietors of land, and the owners or employers of capital stock.

The proprietor of land is interested for the sake of his own revenue to keep his estate in as good condition as he can, by building and repairing his tenants houses, by making and maintaining the necessary drains and enclosures, and all those other expensive improvements which it properly belongs to the landlord to make and maintain. But by different land-taxes the revenue of the landlord may be so much diminished; and by different duties upon the necessaries and conveniences of life, that diminished revenue may be rendered of so little real value, that he may find himself altogether unable to make or maintain those expensive improvements. When the landlord, however, ceases to do his part, it is altogether impossible that the tenant should continue to do his; as the distress of the landlord increases, the agriculture of the country must necessarily decline.

When by different taxes upon the necessaries and conveniences of life, the owners and employers of capital stock find, that whatever revenue they derive from it, will not, in a particular country, purchase the same quantity of those necessaries and conveniences, which an equal revenue would in almost any other; they will be disposed to remove to some other. And when, in order to raise those taxes,
taxes, all or the greater part of merchants and manufacturers, that is, all or the greater part of the employers of great capitals, come to be continually exposed to the mortifying and vexatious visits of the tax gatherers; this disposition to remove will soon be changed into an actual removal. The industry of the country will necessarily fall with the removal of the capital which supported it, and the ruin of trade and manufactures will follow the declension of agriculture.

To transfer from the owners of those two great sources of revenue, land and capital stock, from the persons immediately interested in the good condition of every particular portion of land, and in the good management of every particular portion of capital stock, to another set of persons, (the creditors of the public, who have no such particular interest) the greater part of the revenue arising from either, must, in the long-run, occasion both the neglect of land, and the waste or removal of capital stock. A creditor of the public has no doubt a general interest in the prosperity of agriculture, manufactures, and commerce of the country; and consequently in the good condition of its lands, and in the good management of its capital stock. Should there be any general failure or declension in any of these things, the produce of the different taxes might no longer be sufficient to pay him the annuity or interest which is due to him. But a creditor of the public, considered merely as such, has no interest in the good condition of any particular portion of land, or in the good management of any particular portion of capital stock. As a creditor of the public he has no knowledge of any such particular portion. He has no inspection of it. He can have no care about it. Its ruin may in most cases be unknown to him, and cannot directly affect him.

The practice of funding has gradually enfeebled every state which has adopted it. The Italian republics seem to have begun it.
Genoa and Venice, the only two remaining which can pretend to an independent existence, have both been enfeebled by it. Spain, seems to have learned the practice from the Italian republics, and (its taxes being probably less judicious than theirs) it has, in proportion to its natural strength, been still more enfeebled. The debts of Spain are of very old standing. It was deeply in debt before the end of the sixteenth century, about a hundred years before England owed a shilling. France, notwithstanding all its natural resources, languishes under an oppressive load of the same kind: The republic of the United Provinces is as much enfeebled by its debts as either Genoa or Venice. Is it likely that in Great Britain alone a practice, which has brought either weakness or desolation into every other country, should prove altogether innocent?

The system of taxation established in those different countries, it may be said, is inferior to that of England. I believe it is so. But it ought to be remembered, that when the wisest government has exhausted all the proper subjects of taxation, it must, in cases of urgent necessity, have recourse to improper ones. The wise republic of Holland has upon some occasions been obliged to have recourse to taxes as inconvenient as the greater part of those of Spain. Another war begun before any considerable liberation of the publick revenue, had been brought about, and growing in its progress as expensive as the last war, may, from irresistible necessity, render the British system of taxation as oppressive as that of Holland, or even as that of Spain. To the honour of our present system of taxation, indeed, it has hitherto given so little embarrassment to industry, that, during the course even of the most expensive wars, the frugality and good conduct of individuals seems to have been able, by saving and accumulation, to repair all the breaches which the waste and extravagance of government had made.

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By means of such expedients the coin of, I believe, all nations has been gradually reduced more and more below its original value, and the same nominal sum has been gradually brought to contain a smaller and a smaller quantity of silver.

Nations have sometimes, for the same purpose, adulterated the standard of their coin; that is, have mixed a greater quantity of alloy in it. If in the pound weight of our silver coin, for example, instead of eighteen penny weight, according to the present standard, there was mixed eight ounces of alloy; a pound sterling, or twenty shillings of such coin, would be worth little more than six shillings and eight-pence of our present money. The quantity of silver contained in six shillings and eight-pence of our present money, would thus be raised very nearly to the denomination of a pound sterling. The adulteration of the standard has exactly the same effect with what the French call an augmentation, or a direct raising of the denomination of the coin.

An augmentation, or a direct raising of the denomination of the coin, always is, and from its nature must be, an open and avowed operation. By means of it pieces of a smaller weight and bulk are, called by the same name which had before been given to pieces of a greater weight and bulk. The adulteration of the standard, on the contrary, has generally been a concealed operation. By means of it pieces were issued from the mint of the same denominations, and, as nearly as could be contrived, of the same weight, bulk, and appearance, with pieces which had been current before of much greater value. When king John of France*, in order to pay his debts, adulterated his coin, all the officers of his mint were sworn to secrecy. Both operations are unjust. But a simple augmentation is an injustice of open violence; whereas an adulteration is an injustice of treacherous fraud. This latter operation, therefore, as soon as.

* See du Cange Glossary, voce Moneta; the Benedictine edition.
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soon as it has been discovered, and it could never be concealed very long, has always excited much greater indignation than the former. The coin, after any considerable augmentation, has very seldom been brought back to its former weight; but after the greatest adulterations, it has almost always been brought back to its former fineness. It has scarce ever happened that the fury and indignation of the people could otherwise be appeased.

In the end of the reign of Henry VIII. and in the beginning of that of Edward VI. the English coin was not only raised in its denomination, but adulterated in its standard. The like frauds were practised in Scotland during the minority of James VI. They have occasionally been practised in most other countries.

That the public revenue of Great Britain can ever be completely liberated, or even that any considerable progress can ever be made towards that liberation, while the surplus of that revenue, or what is over and above defraying the annual expence of the peace establishment, is so very small, it seems altogether in vain to expect. That liberation, it is evident, can never be brought about without either some very considerable augmentation of the public revenue, or some equally considerable reduction of the public expence.

A more equal land-tax, a more equal tax upon the rent of houses, and such alterations in the present system of customs and excise as those which have been mentioned in the foregoing chapter, might, perhaps, without increasing the burden of the greater part of the people, but only distributing the weight of it more equally upon the whole, produce a considerable augmentation of revenue. The most sanguine projector, however, could scarce flatter himself that any augmentation of this kind would be such as could give any reasonable hopes either of liberating the public revenue altogether,
gther, or even of making such progress towards that liberation in
time of peace, as either to prevent or to compensate the further
accumulation of the public debt in the next war.

By extending the British system of taxation to all the different
provinces of the empire inhabited by people either of British or Eu-
ropean extraction, a much greater augmentation of revenue might
be expected. This, however, could scarce perhaps be done, consist-
ently with the principles of the British constitution, without admit-
ting into the British parliament, or if you will into the states gen-
eral of the British Empire, a fair and equal representation of all
those different provinces, that of each province bearing the same
proportion to the produce of its taxes, as the representation of
Great Britain might bear to the produce of the taxes levied upon
Great Britain. The private interest of many powerful individuals,
the confirmed prejudices of great bodies of people seem, indeed, at
present, to oppose to so great a change such obstacles as it may be
very difficult, perhaps altogether impossible, to surmount. With-
out, however, pretending to determine whether such a union be
practicable or impracticable, it may not, perhaps, be improper, in
a speculative work of this kind, to consider how far the British
system of taxation might be applicable to all the different provinces
of the empire; what revenue might be expected from it if so
applied, and in what manner a general union of this kind might
be likely to affect the happiness and prosperity of the different pro-
vinces comprehended within it. Such a speculation can at worst
be regarded but as a new Utopia, less amusing certainly, but not
more useless and chimerical than the old one.

The land-tax, the stamp duties, and the different duties of
customs and excise, constitute the four principal branches of the
British taxes.

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Ireland
IRELAND is certainly as able, and our American and West
Indian plantations more able to pay a land-tax than Great Bri-
tain. Where the landlord is subject neither to tithe nor poors
rate, he must certainly be more able to pay such a tax, than where
he is subject to both those other burdens. The tithe, where there
is no modus, and where it is levied in kind, diminishes more
what would otherwise be the rent of the landlord, than a land-
tax which really amounted to five shillings in the pound. Such
a tithe will be found in most cases to amount to more than a
fourth part of the real rent of the land, or of what remains after
replacing compleatly the capital of the farmer, together with his
reasonable profit. If all moduses and all appropriations were
taken away, the complete church tithe of Great Britain and Ire-
land, could not well be estimated at less than six or seven mil-
lions. If there was no tithe either in Great Britain or Ireland,
the landlords could afford to pay six or seven millions additional
land-tax; without being more burdened than a very great part of
them are at present. America pays no tithe, and could therefore
very well afford to pay a land-tax. The lands in America and the
West Indies, indeed, are in general not tenanted or leased out
to farmers. They could not therefore be assessed according to
any rent-roll. But neither were the lands of Great Britain, in
the 4th of William and Mary, assessed according to any rent-
roll, but according to a very loose and inaccurate estimation. The
lands in America might be assessed either in the same manner, or
according to an equitable valuation in confection of an accurate
survey, like that which was lately made in the Milanefe, and in
the dominions of Austria, Prussia, and Sardinia.

STAMP-DUTIES, it is evident, might be levied without any
variation in all countries where the forms of law process, and
the deeds by which property both real and personal is transferred,
are the same or nearly the same.
The extension of the customhouse laws of Great Britain to Ireland and the plantations, provided it was accompanied, as in justice it ought to be, with an extension of the freedom of trade, would be in the highest degree advantageous to both. All the invidious restraints which at present oppress the trade of Ireland, the distinction between the enumerated and non-enumerated commodities of America, would be entirely at an end. The countries north of Cape Finisterre would be as open to every part of the produce of America, as those south of that cape are to some parts of that produce at present. The trade between all the different parts of the British empire would, in consequence of this uniformity in the customhouse laws, be as free as the coasting trade of Great Britain is at present. The British empire would thus afford within itself an immense internal market for every part of the produce of all its different provinces. So great an extension of market would soon compensate both to Ireland and the plantations, all that they could suffer from the increase of the duties of customs.

The excise is the only part of the British system of taxation, which would require to be varied in any respect according as it was applied to the different provinces of the empire. It might be applied to Ireland without any variation; the produce and consumption of that kingdom being exactly of the same nature with those of Great Britain. In its application to America and the West Indies, of which the produce and consumption are so very different from those of Great Britain, some modification might be necessary, in the same manner as in its application to the cyder and beer counties of England.

A fermented liquor, for example, which is called beer, but which, as it is made of molasses, bears very little resemblance to our beer, makes a considerable part of the common drink of the people in America. This liquor, as it can be kept only for a few days,
days, cannot, like our beer, be prepared and stored up for sale in great breweries; but every private family must brew it for their own use, in the same manner as they cook their victuals. But to subject every private family to the odious visits and examination of the tax gatherers, in the same manner as we subject the keepers of alehouses and the brewers for public sale, would be altogether inconsistent with liberty. If for the sake of equality it was thought necessary to lay a tax upon this liquor, it might be taxed by taxing the material of which it is made, either at the place of manufacture, or, if the circumstances of the trade rendered such an excise improper, by laying a duty upon its importation into the colony in which it was to be consumed. Besides the duty of one penny a gallon imposed by the British parliament upon the importation of molasses into America; there is a provincial tax of this kind upon their importation into Massachusetts Bay, in ships belonging to any other colony, of eight-pence the hogshead; and another upon their importation, from the northern colonies, into South Carolina of five-pence the gallon: Or if neither of these methods was found convenient, each family might compound for its consumption of this liquor, either according to the number of persons of which it consisted, in the same manner as private families compound for the malt-tax in England; or, according to the different ages and sexes of those persons, in the same manner as several different taxes are levied in Holland; or nearly as Sir Mathew Decker proposes that all taxes upon consumable commodities should be levied in England. This mode of taxation, it has already been observed, when applied to objects of a speedy consumption, is not a very convenient one. It might be adopted, however, in cases where no better could be done.

Sugar, rum, and tobacco, are commodities which are nowhere necessaries of life, which are become objects of almost universal consumption, and which are therefore extrinsically proper subjects...
jects of taxation. If a union with the colonies was to take place, those commodities might be taxed either before they go out of the hands of the manufacturer or grower; or if this mode of taxation did not suit the circumstances of those persons, they might be deposited in public warehouses both at the place of manufacture, and at all the different ports of the empire to which they might afterwards be transported, to remain there, under the joint custody of the owner and the revenue officer; till such time as they should be delivered out either to the consumer, to the merchant retailer for home consumption, or to the merchant exporter; the tax not to be advanced till such delivery. When delivered out for exportation, to go duty free; upon proper security being given that they should really be exported out of the empire. These are perhaps the principal commodities with regard to which a union with the colonies might require some considerable change in the present system of British taxation.

What might be the amount of the revenue which this system of taxation extended to all the different provinces of the empire might produce, it must, no doubt, be altogether impossible to ascertain with tolerable exactness. By means of this system there is annually levied in Great Britain, upon less than eight millions of people, more than ten millions of revenue. Ireland contains more than two millions of people, and according to the accounts laid before the congress, the twelve associated provinces of America contain more than three. Those accounts, however, may have been exaggerated, in order, perhaps, either to encourage their own people, or to intimidate those of this country; and we shall suppose therefore that our North American and West Indian colonies taken together contain no more than three millions; or that the whole British empire, in Europe and America, contains no more than thirteen millions of inhabitants. If upon less than

9. The British Empire in Europe only now contains about 29 millions of inhabitants, comprehending its dependencies in the other quarter of the globe must considerably exceed 100 millions. If an empire only to China in the number of its subjects is to rival or perhaps China in extent of territory.
eight millions of inhabitants this system of taxation raises a revenue of more than ten millions sterling; it ought upon thirteen millions of inhabitants to raise a revenue of more than sixteen millions two hundred and fifty thousand pounds sterling. From this revenue, supposing that this system could produce it, must be deducted, the revenue usually raised in Ireland and the plantations for defraying the expense of their respective civil governments. The expense of the civil and military establishment of Ireland, together with the interest of the public debt, amounts at a medium of the two years which ended March, 1775, to something less than seven hundred and fifty thousand pounds a year. By a very exact account of the revenue of the principal colonies of America and the West Indies, it amounted, before the commencement of the late disturbances, to a hundred and forty-one thousand eight hundred pounds. In this account, however, the revenue of Maryland, of North Carolina, and of all our late acquisitions both upon the continent and in the islands, is omitted, which may perhaps make a difference of thirty or forty thousand pounds. For the sake of even numbers therefore, let us suppose that the revenue necessary for supporting the civil government of Ireland, and the plantations, may amount to a million. There would remain consequently a revenue of fifteen millions two hundred and fifty thousand pounds, to be applied towards defraying the general expense of the empire, and towards paying the public debt. But if from the present revenue of Great Britain a million could in peaceable times be spared towards the payment of that debt, six millions two hundred and fifty thousand pounds could very well be spared from this improved revenue. This great sinking fund too might be augmented every year by the interest of the debt which had been discharged the year before, and might in this manner increase so very rapidly, as to be sufficient in a few years to discharge the whole debt, and thus to restore completely the then debilitated and languishing vigour of the empire. In
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In the meantime the people might be relieved from some of the most burdensome taxes; from those which are imposed either upon the necessaries of life, or upon the materials of manufacture. The labouring poor would thus be enabled to live better, to work cheaper, and to send their goods cheaper to market. The cheapness of their goods would increase the demand for them, and consequently for the labour of those who produced them. This increase in the demand for labour, would both increase the numbers and improve the circumstances of the labouring poor. Their consumption would increase, and together with it the revenue arising from all those articles of their consumption upon which the taxes might be allowed to remain.

The revenue arising from this system of taxation, however, might not immediately increase in proportion to the number of people who were subjected to it. Great indulgence would for some time be due to those provinces of the empire which were thus subjected to burdens to which they had not before been accustomed, and even when the same taxes came to be levied everywhere as exactly as possible, they would not everywhere produce a revenue proportioned to the numbers of the people. In a poor country the consumption of the principal commodities subject to the duties of customs and excise is very small; and in a thinly inhabited country the opportunities of smuggling are very great. The consumption of malt liquors among the inferior ranks of people in Scotland is very small, and the excise upon malt, beer, and ale, produces less there than in England in proportion to the numbers of the people and the rate of the duties, which upon malt is different on account of a supposed difference of quality. In these particular branches of the excise there is not, I apprehend, much more smuggling in the one country than in the other. The duties upon the distillery, and the greater part of the duties of customs, in
in proportion to the numbers of people in the respective countries, produce less in Scotland than in England, not only on account of the smaller consumption of the taxed commodities, but of the much greater facility of smuggling. In Ireland, the inferior ranks of people are still poorer than in Scotland, and many parts of the country are almost as thinly inhabited. In Ireland, therefore, the consumption of the taxed commodities might, in proportion to the number of the people, be still less than in Scotland, and the facility of smuggling nearly the same. In America and the West Indies the white people even of the lowest rank are in much better circumstances than those of the same rank in England, and their consumption of all the luxuries in which they usually indulge themselves is probably much greater. The blacks, indeed, who make the greater part of the inhabitants both of the southern colonies upon the continent and of the West Indian islands, as they are in a state of slavery, are, no doubt, in a worse condition than the poorest people either in Scotland or Ireland. We must not, however, upon that account, imagine that they are worse fed, or that their consumption of articles which might be subjected to moderate duties, is less than that even of the lower ranks of people in England. In order that they may work well, it is the interest of their master that they should be fed well and kept in good heart, in the same manner as it is his interest that his working cattle should be so. The blacks accordingly have almost every where their allowance of rum and of molasses or spruce beer, in the same manner as the white servants; and this allowance would not probably be withdrawn, though those articles should be subjected to moderate duties. The consumption of the taxed commodities, therefore, in proportion to the number of inhabitants, would probably be as great in America and the West Indies as in any part of the British empire. The opportunities of smuggling, indeed, would be much greater; America, in proportion to the extent
extent of the country, being much more thinly inhabited than either Scotland or Ireland. If the revenue, however, which is at present raised by the different duties upon malt and malt liquors, was to be levied by a single duty upon malt, the opportunity of smuggling in the most important branch of the excise would be almost entirely taken away. And if the duties of customs, instead of being imposed upon almost all the different articles of importation, were confined to a few of the most general use and consumption, and if the levying of those duties was subjected to the excise laws, the opportunity of smuggling, though not so entirely taken away, would be very much diminished. In consequence of those two, apparently, very simple and easy alterations, the duties of customs and excise might probably produce a revenue as great in proportion to the consumption of the most thinly inhabited province as they do at present in proportion to that of the most populous.

The Americans, it has been said, indeed, have no gold or silver money; the interior commerce of the country being carried on by a paper currency, and the gold and silver which occasionally come among them being all sent to Great Britain in return for the commodities which they receive from us. But without gold and silver, it is added, there is no possibility of paying taxes. We already get all the gold and silver which they have. How is it possible to draw from them what they have not?

The present scarcity of gold and silver money in America is not the effect of the poverty of that country, or of the inability of the people there to purchase those metals. In a country where the wages of labour are so much higher, and the price of provisions so much lower than in England, the greater part of the people must surely have wherewithal to purchase a greater quantity,
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if it was either necessary or convenient for them to do so. The scarcity of those metals, therefore, must be the effect of choice, and not of necessity.

It is for transacting either domestic or foreign business, that gold and silver money is either necessary or convenient.

The domestic business of every country, it has been shewn in the second book of this inquiry, may, at least in peaceable times, be transacted by means of a paper currency, with nearly the same degree of convenience as by gold and silver money. It is convenient for the Americans, who could always employ with profit in the improvement of their lands a greater stock than they can easily get, to save as much as possible the expense of so costly an instrument of commerce as gold and silver, and rather to employ that part of their surplus produce which would be necessary for purchasing those metals, in purchasing the instruments of trade, the materials of clothing, several parts of household furniture, and the iron-work necessary for building and extending their settlements and plantations; in purchasing, not dead stock, but active and productive stock. The colony governments find it for their interest to supply people with such a quantity of paper-money as is fully sufficient and generally more than sufficient for transacting their domestic business. Some of those governments, that of Pennsylvania particularly, derive a revenue from lending this paper-money to their subjects at an interest of so much per cent. Others, like that of Massachusetts Bay, advance upon extraordinary emergencies a paper-money of this kind for defraying the public expense, and afterwards, when it suits the convenience of the colony, redeem it at the depreciated value to which it gradually falls. In 1747, that colony paid, in this manner, the greater part of its public debts, with the tenth part of

* See Hutchinson's History of Massachusetts Bay, Vol. II. Page 436. &c. &c.
the money for which its bills had been granted. It suits the con-
venience of the planters to save the expense of employing gold and
silver money in their domestic transactions; and it suits the conve-
nience of the colony governments to supply them with a medium,
which, though attended with some very considerable disadvantages,
enables them to save that expense. The redundancy of paper mo-
ney necessarily banishes gold and silver from the domestic transac-
tions of the colonies, for the same reason that it has banished those
metals from the greater part of the domestic transactions of Scot-
land; and in both countries it is not the poverty, but the enter-
prising and projecting spirit of the people, their desire of employ-
ing all the stock which they can get as active and productive stock,
which has occasioned this redundancy of paper money.

In the exterior commerce which the different colonies carry on
with Great Britain, gold and silver are more or less employed,
extactly in proportion as they are more or less necessary. Where
those metals are not necessary, they seldom appear. Where they are
necessary, they are generally found.

In the commerce between Great Britain and the tobacco colo-
nies, the British goods are generally advanced to the colonists at a
pretty long credit, and are afterwards paid for in tobacco, rated at
a certain price. It is more convenient for the colonists to pay in
tobacco than in gold and silver. It would be more convenient for
any merchant to pay for the goods which his correspondents had
sold to him in some other sort of goods which he might happen to
deal in, than in money. Such a merchant would have no occasion
to keep any part of his stock by him unemployed, and in ready
money, for answering occasional demands. He could have, at all
times, a larger quantity of goods in his shop or warehouse, and he
could deal to a greater extent. But it seldom happens to be con-
venient
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BOOK V.

Convenient for all the correspondents of a merchant to receive payment for the goods which they sell to him, in goods of some other kind which he happens to deal in. The British merchants who trade to Virginia and Maryland happen to be a particular set of correspondents, to whom it is more convenient to receive payment for the goods which they sell to those colonies in tobacco than in gold and silver. They expect to make a profit by the sale of the tobacco. They could make none by that of the gold and silver. Gold and silver, therefore, very seldom appear in the commerce between Great Britain and the tobacco colonies. Maryland and Virginia have as little occasion for those metals in their foreign as in their domestic commerce. They are said, accordingly, to have less gold and silver money than any other colonies in America. They are reckoned, however, as thriving, and consequently as rich as any of their neighbours.

In the northern colonies, Pennsylvania, New York, New Jersey, the four governments of New England, &c. the value of their own produce which they export to Great Britain is not equal to that of the manufactures which they import for their own use, and for that of some of the other colonies to which they are the carriers. A balance, therefore, must be paid to the mother country in gold and silver, and this balance they generally find.

In the sugar colonies the value of the produce annually exported to Great Britain is much greater than that of all the goods imported from thence. If the sugar and rum annually sent to the mother country were paid for in those colonies, Great Britain would be obliged to send out every year a very large balance in money, and the trade to the West Indies would, by a certain species of politicians, be considered as extremely disadvantageous. But it so happens, that many of the principal proprietors of the sugar plantations reside in Great Britain. Their rents are remitted to them in sugar
sugar and rum, the produce of their estates. The sugar and rum which the West India merchants purchase in those colonies upon their own account, are not equal in value to the goods which they annually sell there. A balance, therefore, must generally be paid to them in gold and silver, and this balance too is generally found.

The difficulty and irregularity of payment from the different colonies to Great Britain, have not been at all in proportion to the greatness or smallness of the balances which were respectively due from them. Payments have in general been more regular from the northern than from the tobacco colonies, though the former have generally paid a pretty large balance in money, while the latter have paid either no balance, or a much smaller one. The difficulty of getting payment from our different sugar colonies has been greater or less in proportion, not so much to the extent of the balances respectively due from them, as to the quantity of uncultivated land which they contained; that is, to the greater or smaller temptation which the planters have been under of over-trading, or of undertaking the settlement and plantation of greater quantities of waste land than suited the extent of their capitals. The returns from the great island of Jamaica, where there is still much uncultivated land, have, upon this account, been in general more irregular and uncertain than those from the smaller islands of Barbadoes, Antigua, and St. Christophers, which have for these many years been completely cultivated, and have, upon that account, afforded less field for the speculations of the planter. The new acquisitions of Grenada, Tobago, St. Vincents, and Dominica, have opened a new field for speculations of this kind; and the returns from those islands have of late been as irregular and uncertain as those from the great island of Jamaica.

It is not, therefore, the poverty of the colonies which occasions, in the greater part of them, the present scarcity of gold and silver money.
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money. Their great demand for active and productive stock makes it convenient for them to have as little dead stock as possible; and disposes them upon that account to content themselves with a cheaper, though less commodious instrument of commerce than gold and silver. They are thereby enabled to convert the value of that gold and silver into the instruments of trade, into the materials of clothing, into household furniture, and into the iron work necessary for building and extending their settlements and plantations. In those branches of business which cannot be transacted without gold and silver money, it appears that they can always find the necessary quantity of those metals; and if they frequently do not find it, their failure is generally the effect, not of their necessary poverty, but of their unnecessary and excesive enterprize. It is not because they are poor that their payments are irregular and uncertain; but because they are too eager to become excessively rich. Though all that part of the produce of the colony taxes, which was over and above what was necessary for defraying the expense of their own civil and military establishments, were to be remitted to Great Britain in gold and silver, the colonists have abundantly wherewithal to purchase the requisite quantity of those metals. They would in this case be obliged, indeed, to exchange a part of their surplus produce, with which they now purchase active and productive stock, for dead stock. In transacting their domestic business they would be obliged to employ a costly instrument of commerce; and the expenditure of purchasing this costly instrument might damp somewhat the vivacity and ardour of their excesive enterprize in the improvement of land. It might not, however, be necessary to remit any part of the American revenue in gold and silver. It might be remitted in bills drawn upon and accepted by particular merchants or companies in Great Britain, to whom a part of the surplus produce of America had been consigned, who would pay into the treasury the American revenue in money, after having themselves received
the value of it in goods; and the whole business might frequently be transacted without exporting a single ounce of gold and silver from America.

It is not contrary to justice that both Ireland and America should contribute towards the discharge of the public debt of Great Britain. That debt has been contracted in support of the government established by the revolution, a government to which the protestants of Ireland owe, not only the whole authority which they at present enjoy in their own country, but every security which they possess for their liberty, their property, and their religion; a government to which several of the colonies of America owe their present charters, and consequently their present constitution, and to which all the colonies of America owe the liberty, security, and property, which they have ever since enjoyed. That public debt has been contracted in the defence, not of Great Britain alone, but of all the different provinces of the empire; the immense debt contracted in the late war in particular, and a great part of that contracted in the war before, were both properly contracted in defence of America.

By a union with Great Britain, Ireland would gain, besides the freedom of trade, other advantages much more important, and which would much more than compensate any increase of taxes that might accompany that union. By the union with England, the middling and inferior ranks of people in Scotland gained a complete deliverance from the power of an aristocracy which had always before oppressed them. By a union with Great Britain the greater part of the people of all ranks in Ireland would gain an equally complete deliverance from a much more oppressive aristocracy; an aristocracy not founded, like that of Scotland, in the natural and respectable distinctions of birth and fortune, but in
BOOK V.

the most odious of all distinctions: those of religious and political prejudices; distinctions which more than any other animate both the enmity of the oppressors and the hatred and indignation of the oppressed, and which commonly render the inhabitants of the same country more hostile to one another than those of different countries ever are. Without a union with Great Britain, the inhabitants of Ireland are not likely for many ages to consider themselves as one people.

"No oppressive aristocracy has ever prevailed in the colonies. Even they, however, would, in point of happiness and tranquility, gain considerably by a union with Great Britain. It would, at least, deliver them from those rancorous and virulent factions which are inseparable from small democracies, and which have so frequently divided the affections of their people, and disturbed the tranquility of their governments, in their form so nearly democratical. In the case of a total separation from Great Britain, which, unless prevented by a union of this kind, seems very likely to take place, these factions would be ten times more virulent than ever.

Before the commencement of the present disturbances, the coercive power of the mother country had always been able to restrain those factions from breaking out into anything worse than gross brutality and infat. If that coercive power was entirely taken away, they would probably soon break out into open violence and bloodshed. In all great countries which are united under one uniform government, the spirit of party commonly prevails less in the remote provinces, than in the center of the empire. The distance of those provinces from the capital, from the principal seat of the great scramble of faction and ambition, makes them enter less into the views of any of the contending parties, and renders them more indifferent and impartial spectators of the conduct of all. The spirit of party prevails less in Scotland than in England.

In
The territorial acquisitions of the East India company, the undoubted right of the crown, that is, of the state and people of Great Britain, might be rendered another source of revenue more abundant perhaps than all those already mentioned. Those countries are represented as more fertile, more extensive; and in proportion to their extent much richer and more populous than Great Britain. In order to draw a great revenue from them, it would not probably be necessary to introduce any new system of taxation into countries which are already sufficiently and more than sufficiently taxed. It might perhaps be more proper to lighten than to aggravate the burden of those unfortunate countries, and to endeavour to draw a revenue from them, not by imposing new taxes, but by preventing the embezzlement and misapplication of the greater part of those which they already pay.

If it should be found impracticable for Great Britain to draw any considerable augmentation of revenue from any of the resources above-mentioned; the only resource which can remain to her is a diminution of her expense. In the mode of collecting, and in that of expending the public revenue; though in both...
there may be still room for improvement; Great Britain seems to be at least as economical as any of her neighbours. The military establishment which she maintains for her own defence in time of peace, is more moderate than that of any European state which can pretend to rival her either in wealth or in power. None of those articles, therefore, seem to admit of any considerable reduction of expence. The expence of the peace establishment of the colonies was, before the commencement of the present disturbances, very considerable, and is an expence which may, and if no revenue can be drawn from them, ought certainly to be faved altogether. This constant expence in time of peace, though very great, is insignificant in comparison with what the defence of the colonies has cost us in time of war. The last war, which was undertaken altogether on account of the colonies, cost Great Britain, it has already been observed, upwards of ninety millions. The Spanish war of 1739 was principally undertaken on their account; in which, and in the French war that was the consequence of it, Great Britain spent upwards of forty millions, a great part of which ought justly to be charged to the colonies. In those two wars the colonies cost Great Britain much more than double the sum which the national debt amounted to before the commencement of the first of them. Had it not been for those wars that debt might, and probably would by this time have been compleatly paid; and had it not been for the colonies, the former of those wars might not, and the latter certainly would not have been undertaken. It was because the colonies were supposed to be provinces of the British empire, that this expence was laid out upon them. But countries which contribute neither revenue nor military force towards the support of the empire, cannot be considered as provinces. They may perhaps be considered as appendages, as a sort of splendid and showy equipage of the empire. But if the empire