There are no means whatever by which to measure the rate of profit in different businesses. Generally, indeed, it can only be guessed at even by those engaged in carrying them on; and were an attempt made to tax profits, the great majority of individuals would underrate their amount, and, in the far greater number of businesses, it would be quite impossible for government officers to come to any thing like an accurate conclusion as to their magnitude. It would, in consequence, be necessary to adopt some general rules for assessing the tax ; and the vice of these is, that, being bottomed on real or rather supposed averages, they in­variably make those engaged in unsuccessful speculations pay a great deal too much, while those engaged in pecurly successful speculations pay only a comparatively small portion of what they would have to pay were the tax fairly assessed. In truth and reality, profits never have been and never can be taxed in proportion to their amount ; and though it be important to know how a tax on profits would operate were it equally imposed, it must be kept in mind that this is altogether impracticable, and that the sup­position is made merely to illustrate a principle.

A tax laid only on the profits of a particular business would have a different effect : it would raise prices, and would not, therefore, fall on the capitalists, except in as far as they were themselves consumers of their own produce. Suppose, for example, that a tax of ten per cent. is laid ex­clusively on the profits of the shoemaker. The slightest consideration will show that such tax must make an equi­valent addition to the price of shoes ; for, if it did not, the shoemakers would gain less profit than was gained by those engaged in other businesses, and they would, in conse­quence, gradually withdraw from their employment ; nor can there be a question that they would continue to leave it, until, through the diminution in the supply of shoes, their price had reached such a height as would yield the common and average rate of profits, exclusive of the tax. For the same reason, an exclusive tax on the profits of the hatter, the clothier, the farmer, &c. would make a propor­tional addition to the price of hats, cloth, agricultural pro­duce, &c. In these cases the capitalists have the power to raise prices, and consequently to throw the burden of the tax on the consumers ; because they may withdraw from the businesses in which profits are taxed, and engage in those in which they are not taxed. But when the profits arising from the capital employed in every different business are equally taxed, the capitalists are deprived of this resource ; and have no means either of raising prices or of evading the tax.

It is easy to see, from the principles already established, that an equal tax on the profits of agricultural and other capital could not occasion any diminution of rent. When farmers are taxed equally with all other producers, there is obviously no motive to make them withdraw capital from the land, and no variation will take place in the price of com ; nor, as rent consists in the excess of the produce obtained by the capital first applied to the land over that which is obtained by the capital last applied, will it be affected by such a tax. But if the tax, instead of being general and equal, were laid exclusively on the pro­fits of the farmer, it would cause, provided foreign corn were excluded, an increase of rent. No rent, as has been seen in the preceding section, ever enters into the cost of producing that portion of the required supply of raw pro­duce raised by the agency of the capital last laid out on the land. It is plainly impossible, therefore, that its raisers could indemnify themselves for any burdens laid on them by making an equivalent deduction from rent. And hence, when a tax is laid exclusively on the profits of agricultural capita), the price of raw produce must sustain in the end a corresponding rise ; for in the event of its not rising, the producers of that portion which pays no rent would aban­don their business, and the necessary supplies would not be obtained. Inasmuch, however, as the rise of price which is required to remunerate those who raise corn that pays no rent, after a tax is imposed on profits, must be *univer­sal,* it must raise rent. Thus, on the supposition that *five* equal capitals applied to soils of various degrees of fer­tility, respectively yield 100, 90, 80, 70, and 60 quarters, their *com* rents would be 40, 30, 20, and 10 quarters ; and if the price required to remunerate the cultivators of the *fifth* and worst quality of land, which pays no rent, were L.2 a quarter, the *money* rent of the *first* quality would be L.80, of the *second* L.60, of the *third* L.40, and so on. Suppose, now, that an exclusive tax is laid on the profits of agricultural capital, and that, to remunerate the cultivators of the worst land, the price rises from L.2 to L.2. 10s. a quarter, it is plain the rent of the *first* quality would be raised to L.100, the second to L.75, the third to L.50, and so on ; being an increase of L.20 on the rent of the *first,* of L.15 on the rent of the *second,* of L.10 on the *third,* &c.

This is a principle of considerable importance. “ That the profits of the farmer,” says Mr Ricardo, “ only should be taxed, and not the profits of any other capitalist, would be highly beneficial to the landlords. It would, in fact, be a tax on the consumers of raw produce, partly for the be­nefit of the state, and partly for the benefit of the landlords.” *(Principles of Political Economy,* 3d edit. p. 241.)

Mr Ricardo should, however, have added, that this is true only in the event of foreign corn being excluded, or admitted under a duty exceeding the amount of the tax on the pro­fits of the farmers. If foreign corn be freely admitted, or if it be burdened with a less amount of duty than is laid on the British farmers, it follows, seeing that the market is in part supplied by parties not subject to the tax, or to any equi­valent impost, that prices will not rise in proportion to its amount. Under these circumstances, the occupiers of the poorer lands will inevitably be driven from the business, and rents will, in consequence, be proportionally reduced. And hence, in the event of any peculiar tax being imposed on the land, it is necessary, if we would do justice to all parties, that an equivalent duty should be laid on the im­portation of foreign agricultural produce.

The *taille,* such as it subsisted in France at the epoch of the revolution, was intended to be a tax on the profits of the farmer. Instead, however, of attempting to estimate these profits by the amount of his rent, or by endeavouring to ascertain the value of the produce remaining in his pos­session after his rent and other outlays had been deducted, they were commonly estimated by the amount of the capi­tal employed in cultivation. In consequence of resorting to this criterion for estimating profits, the tax tempted the farmer to employ the smallest possible quantity of capital, and deterred him from making any considerable or expen­sive improvement. The *taille* was also injurious in ano­ther respect ; for, as it did not affect nobles who farmed their own lands, but fell exclusively on those who rented lands of another, or who possessed lands held by a base tenure, it was considered as a degrading tax, and as a mark of the ignoble, or rather servile, condition of those by whom it was paid. All who made any thing by farming were thus rendered anxious to withdraw from so degraded a business ; while rich merchants and capitalists were prevented from becoming tenants. Not only, therefore, did the *taille* hin­der the greater part of the capital generated on the land from being laid out on it, but it turned from it all the ca­pital that had been accumulated in other employments. It is very difficult to suppose that any tax could have been devised better calculated to retain agriculture in a rude and infant state, and to extinguish all emulation and enterprise among farmers ; and considering the long period to which France was subjected to this tax, our wonder is, not that her agriculture was in a very backward and depressed con-