But if the tax were laid out, not, as has been supposed, in paying the wages of additional troops, but in increasing the pay of those already embodied, or of the other function­aries employed by government, its effect would be different, in this case there would be no additional demand for labour. The individuals receiving the tax would, indeed, have a greater demand for the produce of labour ; but their greater demand being merely equivalent to the diminished demand of the labourers by whom the tax had been paid, would make no real addition to the total demand of the country. And thus it appears, that when the produce of a tax on wages is employed to hire fresh individuals for the service of govern­ment, it raises, by taking so much labour out of the market, the price of the remainder in proportion to its amount. But when its produce is employed to increase the wages of pub­lic functionaries or troops already embodied, the quantity of labour in the market is not lessened, and it must in conse­quence fall, in the first instance, wholly on the labourers. But, even in this last case, a tax on wages might not, and it is most probable would not, continue to be paid entirely out of wages. Such a tax, when first imposed, could hardly fail, by lessening the comforts, and perhaps also the neces­saries, of the labourer, to give a serious check to the progress of population, as well by retarding the period of marriage as by increasing the rate of mortality ; and in consequence of the diminution of labourers arising from these causes, wages might be raised so as to throw the tax either wholly or par­tially on the capitalists.

But it must at the same time be observed, that, for the reasons already stated, there are very considerable ob­stacles to a rise of wages in the way now pointed out; and should their reluctance to change their habits as to marriage lead the poor to submit to a lower standard of comfort, the rate of wages would be permanently redu­ced, and the condition of the great mass of society changed in so far for the worse. But as whatever has any tendency to degrade the habits of the bulk of the people, or to recon­cile them to a lower scale of living, should be carefully guarded against, we should be disposed to consider taxes on wages as decidedly objectionable, unless their produce were expended on the employment of additional troops, or in removing labour from the market. And even in the cases in which taxes on wages are so expended, it seems very questionable whether they should be resorted to. It would be exceedingly difficult to convince any considerable number of labourers that the produce of a tax on wages, however laid out, ever reverted to them. They would see the immediate sacrifice they were called upon to make, but they would see no more. The rise of wages would be ascrib­ed to causes which the tax would not be considered as pro­moting, but as counteracting. Such taxes would therefore be in no ordinary degree unpopular. And, besides, it is clear that if they are expended so as to raise wages, and otherwise they ought on no account to be imposed, they may as well be laid directly on the capitalists. If the latter do not pay such taxes at first, they must pay them at second hand. And though their effects were in other respects somewhat different, a prudent administration would rather choose to lay a direct tax on the employers of labour, than to tax them indirectly by laying it in the first instance on the labourers. It is true that this direct mode of taxing capitalists is productive of no real advantage to the labourer; but neither is it productive of any real injury to his em­ployer ; and the circumstance of its tending to lessen popu­lar irritation, and to facilitate the imposition of the tax, is sufficient to make it be preferred.

It is obvious, from what has just been stated, that the real injury inflicted on the labourers by a tax on wages, ex­pended in the way now supposed, consists not in its imme­diate, but in its remote effects. By falling on profits, its ten­dency is to diminish the power to accumulate capital ; and when carried so far as to have this effect, it cannot fail, un­less the stimulus previously given to population be at the same time diminished by the more powerful operation of the principle of moral restraint, to depress the condition of the labourers, and lower the natural rate of wages.

Having thus endeavoured to trace and exhibit the ef­fects that would result from the imposition of taxes sepa­rately affecting rent, profits, and wages, we shall now pro­ceed briefly to inquire into the effects that would result from the imposition of a tax proportioned to the income of each individual.

Sect. IV.— *Tates on Income.*

The reader may perhaps be disposed to regard this sec­tion as superfluous. All incomes being derived from rent, profit, or wages, it may seem that the previous discussions have exhausted the subject; and that, in order to estimate the operation of the tax in any particular instance, we have merely to ascertain the source whence the income of the party is derived, and then to apply the principles already laid down. But this would be a most fallacious conclusion. Taxes on professional incomes, or on the wages of pro­fessional men, are very different in their operation from taxes on the wages of common labourers. And besides this, there are a great many nice and difficult questions to be examined before we are in a condition satisfactorily to appreciate the operation of taxes on income.

In arguing this question, we may begin by admitting that an income-tax is, at first sight, apparently the fairest of all taxes. It seems to make every one contribute to the wants of the state, in proportion to the revenue which he enjoys under its protection ; while, by falling equally on all, it occa­sions no change in the distribution of capital, or in the na­tural direction of industry, and has no influence over prices. It were much to be wished that any tax could be imposed having such effects ; but we are sorry to be obliged to state that none such has hitherto been discovered, and that those who expect that such effects should follow the imposition of a tax on income will be very much disappointed. An in­come-tax would, no doubt, have the supposed effects, were it possible fairly to assess it. But the practical difficulties in the way of its imposition are not of a sort that can be over­come. So much is this the case, that taxes on income, though theoretically equal, are, in their practical operation, the most unequal, oppressive, and vexatious of any that it is possible to imagine.

The difficulties in the way of assessing income are of two sorts : 1st, The difficulty of ascertaining the amount of the annual revenue of different individuals ; and, 2d, Suppos­ing that amount to be known, the difficulty of laying an equal tax on incomes derived from different sources.

1. It would be useless to dwell at any considerable length on the first of these heads. Incomes arising from the rent of land and houses, mortgages, funded property, and such like sources, may be learned with tolerable pre­cision ; but it neither has been, and, we are bold to say, never will be, possible to determine the incomes of farm­ers, manufacturers, dealers of all sorts, and professional men, with any thing like even the rudest approximation to accuracy. It is in vain to attempt to overcome this insu­perable difficulty by instituting an odious inquiry into the affairs of individuals. It is not, indeed, very likely that any people, not altogether enslaved, would tolerate, in ordinary circumstances, such inquisitorial proceedings ; but whether they did or did not, the result would be the same. The investigations would be worthless ; and the commissioners of an income-tax would in the end have nothing to trust to but the declarations of the parties. Hence it is that the tax would fall with its full weight upon men of integrity, while the *millionaire* of “ easy virtue” would well nigh