in introducing the clause “under the protection of the state,” and in comparing the individuals of a great nation to the joint tenants of a great estate. It is easy to show, as Mill does, that, if protection is taken in its narrowest signification, as a matter of fact the poor need more protection than the rich, but the argument becomes more plausible, and more consonant with the general teaching of Mill, if stress is laid on the protection and assistance afforded by the state in the process of acquisition of indi­vidual fortunes—a view of taxation sometimes called the *social dividend theory* (*cf.* Walker, Helferich). It is really on this ground that Mill proposes that the “unearned increment ” from land should be taken by the state, and, as has often been pointed out, “unearned increments” are by no means confined to land. Without much exag­geration the state may be regarded as a partner in all industrial undertakings, and is therefore entitled to a share in the proceeds. In a somewhat similar manner, poor rates, education rates, &c., have been regarded as of the nature of insurance paid by the rich against the care­lessness of the poor. The principle under consideration has been generally applied in cases in which the service rendered by the state and the benefit accruing to indi­viduals are easily discovered and estimated, especially in connexion with local taxation.

The object of taxation is in general to provide the state with an adequate revenue, but in all cases the indirect effects are important, and sometimes provision of revenue is considered of secondary importance. Accordingly it has been maintained (*d*) that the state ought to use its powers of taxation for the promotion of various *social ends.* Adam Smith remarks that “ 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 corrupt the morals of the common people,” and in our own times the falling off in the revenue from alcoholic drinks often furnishes a subject for apparent congratulation in “budget” speeches. German writers with socialistic tendencies *(e.g.,* Wagner) have emphasized this social point of taxation ; and Mill, although disapproving of graduated taxation of income, advocated the imposition of extremely heavy succession duties, with the object of promoting a better distribution of national wealth and compelling individuals to rely on themselves. Many nations again have imposed duties on imports with the view of protecting and encouraging home industries, and most of the import duties levied in England before the great reforms of Peel were of this nature. Accordingly, both theoretically and practically, the promotion of social or moral ends may be considered as a fourth basis of taxa­tion. It is worth noticing that in early times the fines received in the courts of justice were an important source of revenue.

Whatever basis of taxation be adopted, the elementary principle of justice noticed in the conclusion of A. Smith’s first canon must be considered. If it is just to tax A, it is just to tax B under precisely similar circumstances. Thus stated, the principle seems almost formal, but for practical purposes small differences in circumstances may be neglected, and it is clear that in any great nation the taxpayers may be arranged in a limited number of groups, within each of which the constituent individuals may be regarded as similarly situated. A tax on rent, or wages, or profits would be obviously unequal if those in one place or employment were taxed while those in another were left free. The practical difficulty is to discover what cases may fairly be regarded as similar, especially if equality of sacrifice be taken as the ideal.

As a matter of fact, in every civilized community a complex system of taxation is adopted, the different parts of which rest in different degrees upon the various prin­ciples just noticed. Some taxes are justified on the grounds of their convenience to the sovereign power, and others are increased or diminished in certain cases in accordance with the principle of equality of sacrifice ; some are regarded as payments for services rendered by the state, others partake of the nature of sumptuary regulations or are approved on various social or moral grounds ; and sometimes the imposition of one productive tax involves, on the ground of simple equality, the adop­tion of similar taxes which are hardly worth collecting.

The remaining canons of Adam Smith are partly, like the first, ethical in character partly purely economic. Of the second—the canon of *certainty—*Adam Smith remarks :— “ 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 [on the ground of the otherwise arbitrary powers which are given to the tax- gatherer] .... 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.” Perhaps the best example of the infringement of this canon is furnished by the taxes levied from the miserable pro­vincials by their Roman governors.

The third rule—the canon of *convenience—*which enjoins that “ every tax ought to be levied at the time or in the manner to which it is most likely to be convenient for the contributor to pay it,” may be justified, not merely on general grounds of good government, but also on the special economic ground of the increase in the productive­ness of taxes which satisfy the condition. It has been found possible to raise a considerable revenue by taxes on commodities, the payments of which by the consumers are made in insensible portions, when it would have been im­possible to collect the same amount by direct taxation at comparatively long intervals. Taxation is in this respect like bleeding.

The fourth rule—the canon of *economy—*states as its general principle that “ 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.” Taxes may, accord­ing to Adam Smith, break this rule by requiring a large number of officials for their collection, by restraint of trade and production, by encouraging smuggling, and by causing unnecessary vexation ; “ 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.” On smuggling Adam Smith elsewhere remarks that “ to pretend to have any scruple about buying smuggled goods would in most countries be regarded as one of those pedantic pieces of hypocrisy which serve only to expose the person who affects to practise them to the suspicion of being a greater knave than his neighbours.” It may be observed that in practical politics it is generally taken for granted that a tax which can be evaded will be evaded, and indirect methods of taxation are to a great extent devices by which possibilities of evasion are restricted.

To these general rules of taxation explicitly given by Adam Smith, the following may be added, most of which are implied in different passages of his treatment of taxa­tion, but have been expounded and emphasized by subse­quent writers. A convenient summary is given by Hel- ferich in Schönberg’s *Handbuch der Politischen Oekonomie* (vol. ii. p. 138). (*a*) A given amount of revenue is, as a

rule, both from the point of view of the Government and its subjects, more conveniently raised from a small number