issues, such as that of Free Trade, which are of deep interest to economic students.

The starting-point of discussions as to incidence of taxation is a classical passage in Adam Smith’s *Wealth* *of Nations* (book v. chap. ii.), where he lays down 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. 2. The tax which each individual is bound to pay ought to be certain and not arbitrary. 3. 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. [Adam Smith specially praises indirect taxes on com­modities under this head, because the consumer “pays them by little and little as he buys the goods,” and “ it must be his own fault if he ever suffers any considerable inconveniency from such taxes.”] 4. Every tax ought to be so contrived as both to take out and 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. [This last passage is specially directed against taxes which are expensive to collect, or dis­courage trade, or offer temptation to smuggling, or subject people to frequent visits of the tax-gatherer.] These maxims have commanded universal assent, as they are obviously the common sense of the subject.

It may be observed, however, that while general maxims are easy, the application presents difficulties, and since Adam Smith wrote, and especially in modern times, new questions of some interest have been raised. Adam Smith does not go minutely into the incidence of taxation. Taxes in his view must come out of rent, or profit, or the wages of labour; and he observes that every tax which falls finally upon one only of the three sorts of revenue “ is necessarily unequal in so far as it does not affect the other two,” and in examining different taxes he disregards as a rule this sort of inequality, and con­fines his observations “ to that inequality which is occasioned by a particular tax falling unequally upon that particular sort of private revenue which is affected by it.” Recent, discussion, however, has gone rather to the point which Adam Smith neglected, that of inequality generally, not merely as between different sorts of income, but as between individuals and classes. The whole burden of taxation, it is maintained, should fall equally upon classes and individuals as far as possible, and, if necessary, taxes falling equally upon special sources of private revenue should be balanced against each other in order to obtain the desired result. Along with this view has arisen the question whether the burden of taxation should not be *progressive—*the proportion of the sum taken by the state from the tax-payers increasing with the wealth of the individual; because ability to pay taxes is assumed to be not in proportion to, but to increase with the size of, the income.

What opinion should be held regarding this modem view as to equality in taxation, which differs so widely from any­thing countenanced by Adam Smith, though his language is echoed in it? The answer must be that, however sound, the view is for the most part far too ambitious. One difficulty is caused by the large proportion of the taxes in almost every system of taxation, and at any rate in the British system, where the exact incidence is in no way traceable, or where there is no sort of general agreement as to the incidence. The whole of the British revenue from post office and telegraph service, and the whole of the stamp revenue, are derived from charges whose exact incidence cannot be traced. We have seen, indeed, that doubt is even felt as to whether post office and telegraph charges can be treated as taxes at all. Again, the death duties are in a distinct category, these duties falling each year not on a particular class of the community, or a particular kind of property, but on a few individuals only, who are in some cases treated severely, while others may have no cause of complaint. In the course of fifty years, it may be said, the balance will be rectified, and the whole class to which the individuals belong, and the property they own, will be visited in turn, so that this taxation should be credited to them in an account of the incidence of taxes generally; but fifty years is altogether too long a period for such adjustments to be made. Thus a very large proportion of the total revenue cannot be made available for an account showing the incidence of taxation. There remain principally the income tax and one or two minor “ direct ” taxes, and the customs and excise duties. These, it is said, can be distributed among different classes of tax-payers, because the income tax falls on the owners of incomes of all kinds of property subject to the duty, if their incomes are above a certain limit, while the incidence of customs and excise duties can be ascertained by inquiries as to the consumption of dutiable articles by different classes. Even here, however, formidable difficulties are presented. The payers of income tax, unfortunately, are not one class but many, and although the rate of duty is the same, the defini­tion of income seems imperfect, so that many pay on a much larger assessment of income than seems fair in comparison with other incomes of nominally the same amount, but really of much greater value when all deductions from the gross sum are fairly reckoned. If all who pay income tax are lumped together and contrasted with those who do not pay, then there is a false division to begin with, and there is so far no means of establishing equality or inequality. As regards indirect taxes, again, there appears no small difficulty in ascertaining the relative consumption of different classes, for the simple reason that in the same class so called the habits of consump­tion differ widely. It is only by a wide extension of the term “ working man,” for instance, that a class which includes a steady mechanic earning 30s. to £2 a week, who is frequently a total abstainer, and a labourer of inferior capacity and character earn­ing 15s. to 20s. a week, and who is *not* a total abstainer, can be spoken of as one, and credit given to the *one* class for so much taxation on spirits, beer, tobacco, wine, tea and sugar. There are also geographical differences of a serious kind. On the other hand, the consumption by the income tax paying classes of customs and excise articles must vary indefinitely amongst themselves, according to personal habits, size of families, and even their geographical distribution. A further difficulty is furnished by a question as to whether the employer of domestic servants who gives them their board does or does not bear the burden of the duties on the articles which they consume, and which he buys for their use. Theoretically the burden falls on them as consumers. They would have more real wages, it is said, if the price of the articles they consume was not raised by taxation. But practically most employers are convinced that they pay the taxes for their servants. To establish, therefore, any fair account of the incidence of indirect taxes on different classes of the community, real classes being dis­tinguished, and not a mere rough grouping into so-called classes of units who are altogether heterogeneous, is probably beyond the skill of man.

All this is evident on a view of imperial taxation alone. In studying equality, moreover, local taxation must be brought into view, with even more impracticable differences of opinion as to the real incidence of the taxation. The moment rates are brought into question it is seen at once how impossible it would be to establish equality among tax-payers, when owners on one side and occupiers on the other claim that they each bear the burden of the same taxes, and economists favour the opinion that much of the burden is in the nature of a rent- charge on the property, and in any case is equally diffused over the whole community.

Adam Smith was thus not altogether badly advised in not carrying his investigations into the equality of taxation farther than he did. There was another reason for his so doing in the heaviness of the burden of taxation at the time he wrote, governments exacting as much as they could, and being only desirous of finding the easiest means of doing so. It is the very lightness of taxation in recent years which has suggested the possibility of comparing the relative burdens of different