classes, which would have seemed quite hopeless with a high taxation and an immense variety of high taxes. The conclusion that with good taxes long established the burden of taxation tends to become equal over the whole community was certainly not ill founded in the circumstances of former times, and may be accepted as true even in the present day.

As to progressive taxation based on the assumption that equality requires a larger proportionate charge upon a big income than on one of a smaller amount, the practical applica­tion of the principle, if true, would be impossible. A great deal more would need to be known than is now known as to the effect of taxes on different classes, and the aggregate amount of different incomes, before such a task could be undertaken. If there is a greater proportionate charge already on the larger incomes, nothing more need be done, and we cannot know that there is not. As to the justice of such a progressive tax, there is a common opinion in its favour among economists, at least to the extent of exempting a certain minimum of subsistence from taxation; but the present writer, after accepting this view in early life on the authority of Mill, must now express the greatest doubt. The ideal is equality, and no measure of a minimum of subsistence can really be devised.

Of course there may be single taxes which are progressive in form, such as the licence tax in France, or the income tax in Great Britain, where progression is established by abate­ments, or the death duties, where progression by scale is very common. But such progression may arise in a different way and on different principles from those proposed in defence of a general system of progressive taxation. It may be expedient for balancing taxation and roughly redressing palpable in­equalities, and may be adopted for that purpose and no other.

Statistical inquiries as to the incidence of taxation or of particular taxes, though ideal or even approximate equality of a palpable arithmetical kind is practically unattainable by governments, are not altogether to be put aside. The informa­tion thus obtainable may be useful as far as it goes, indicating the directions in which the burden of taxation may press, and forming a guide of some utility when changes of taxation arc contemplated. Calculations, for instance, as to what people at the lower levels of the income tax must pay because they happen to be struck by every sort of tax as no other class is, and calculations as to the freedom from taxation of large numbers of other classes whose habits of consumption and living enable them to escape the tax-gatherer as the class to which they belong cannot generally do, may help a finance minister in the selection of taxes to be repealed or reduced or to be newly imposed. With every effort after equality he must fail to satisfy all, but friction may be diminished and the work of carrying on government quietly and steadily facilitated.

*Taxes and Free Trade.—*Taxation ought not to interfere with trade if possible, and the object of Adam Smith’s maxims, as we have seen, was largely to erect sign-posts warning finance ministers against the kind of taxes likely to harass traders. There has been much discussion, however, on free trade since Adam Smith’s time, and the far-reaching nature of his warnings is not even yet generally understood. There will probably be general agreement as to the wisdom of avoiding taxes which are uncertain and arbitrary, or which involve frequent visits of the tax-gatherer; but so far from there being a general assent in all countries to his maxims as to the expediency of avoiding taxation, which takes more from the tax-payer than what comes into the hands of the government, this is the very characteristic of duties deliberately imposed by most govern­ments for the purpose of interfering with trade, and frequently called for even in the United Kingdom with a similar object. In a question of taxation. however, for the purpose of meeting the expenses of the government, all such duties must be ruled out. Taxes, as instruments for advancing the prosperity of a country, are things unknown to the study of ‘ taxation ” in the proper sense of the word. The only proper object of taxa­tion is to meet the expenses of the state, and when taxes are used primarily or mainly for some other object they can only be justified by political and economic reasons of a different order from anything that has been under discussion.

On this ground, in an account of taxation proper, one might avoid discussing altogether the question of irregular or illegiti­mate taxation. But the subject is of too much popular interest, perhaps, to be passed over altogether. Generally, then, it may be affirmed that taxation in its essential nature cannot be thought of as a good instrument for promoting trade and the advancement of a country. So far as it operates at all, it operates by diverting trade from the channels in which it would naturally flow into other channels, and this diversion of in­dustry, so far as it goes, must involve loss. People are induced to do things they would otherwise leave alone, or to leave alone what they would otherwise do, because money is given to them out of the pockets of the tax-payers to make it worth their while to do so; but there is palpably loss and not profit in the proceeding. It is urged that in time industries are set up that would not otherwise have existed, and population thereby attracted, this being especially the argument for protective duties in new countries; but even so, there is loss to set against the final gain, if any, and we have not yet had an account in which a balance of loss and gain is attempted. The presump­tion is that on balance there is loss. In new countries especially the diversion of industry from its natural development cannot but be mischievous, wrong manufactures and industries being set up at the expense of the whole community, instead of those manufactures and industries which would be most profitable.

There is more to be said for the political argument which induced Adam Smith to favour navigation laws, giving a pre­ference to national shipping in national waters, and for a similar political argument in favour of duties on agricultural produce imported into the country, on the ground, as regards navigation, that the prosperity of the shipping industry in particular was essential to the safety of the country, and on the ground, as regards duties on agricultural produce, that the maintenance of a larger rural population and of a larger agri­cultural production than would exist under natural conditions of perfect free trade was essential to the welfare of the state and even to its very existence in the possible event of a temporary defeat at sea and a partial blockade of the coasts. This is not the place to discuss such political problems, but there is no question of free trade theory involved if the cost to the com­munity of any such taxation is frankly acknowledged.

Sir John A. Macdonald, the great protectionist prime minister of Canada, in a conversation with the present writer in 1882, avowed without hesitation that protectionist taxation in Canada was indefensible on economic grounds, and he defended it exclusively for political reasons. Politically one might differ from him, but economists as such must either be silent when political reasons are alleged for taxes that are against funda­mental maxims, or must be content to point out the cost of the taxes in order that the communities concerned may decide whether the object in view is obtainable by means of the taxa­tion, and is worth the price.

A great deal has been said as to taxes termed “ counter­vailing duties,” which are called for in order to defend free trade itself against the protectionist bounties of foreign govern­ments. Such duties are obviously taxes outside the limits to be considered in a question of taxation proper. They are to be imposed for other purposes than revenue. As to the claim for them that they will restore free trade conditions by nullify­ing the foreign bounties which have caused a disturbance of trade, this is really in the nature of a political reason. A country which is so devoted to free trade that it not only practises free trade itself but endeavours to convert others by nullifying their protectionist measures as far as it can, even with immediate loss to itself, departs from the guidance of self­interest so far; but its political action may be justifiable in the long run by other considerations. It seems right to point out, however, that countervailing duties, which are really differential duties of a special kind, are not the good expedient they are supposed to be for nullifying foreign bounties; that