TAXATION.

A Tax is a portion of the capital or income of individuals, taken from them by government, and placed at its disposal.

A tax may be either *direct* or *indirect.* It is said to be *direct* when it is immediately taken from income or capi­tal ; and *indirect* when it is taken from them by making their owners pay for liberty to use certain articles, or to exercise certain privileges.

A tax may be either *general* or *particular ;* that is, it may either affect all classes indiscriminately, or only one or more classes.

Taxation is the general term used to express the aggre­gate of particular taxes. It is also the name given to that branch of the science of political economy which explains the mode in which the revenue required for the public ser­vice may be most advantageously raised.

PART I.—GENERAL OBSERVATIONS ON TAXATION.

Necessity of Taxation—Present System of Taxation originated in the decline of the Feudal System—Taxes estimated by Values, and not by Quantities—Every Improvement in the Arts, a means of ena­bling a Country to bear Additional Taxes—Opposite Effects of Moderate and Heavy Taxes—Fallacy of the Doctrine of those who contend that Taxes are not really lost to the Contributors, but that they are restored to them by the expenditure of Government—Er­roneous Opinion of Locke and Quesnay with respect to the Inci­dence of Taxes—Maxims to be observed in the Imposition of Taxes —Excise Scheme of Sir Robert Walpole—Expense and Mode of col­lecting Taxes—Corvées.

It would be quite superfluous to enter into any lengthened arguments to show the utility, or rather necessity, of raising a revenue for the use of the public. Suffice it to observe, that security from foreign invasion, the speedy and impartial ad­ministration of justice, and the maintenance of good order and tranquillity, are absolutely indispensable to the successful ex­ertion of industry, and to the advancement of society in the career of civilization and refinement. And when such is the case—when it is admitted on all hands, that security and good order are productive of universal advantage—and that, with­out them, there can be no considerable accumulation of na­tional wealth—it is plain no individual can justly complain that he is made to contribute, in the same proportion to his means as others, for their attainment; or, which is the same thing, that he is made to pay his fair share of the sum required to procure the services of the soldiers and sailors necessary to repel hostile aggression ; and to support the various institutions and public functionaries necessary to maintain internal peace, to promote prosperity, and to pro­tect every citizen in the undisturbed enjoyment of his pro­perty and rights. It is certainly true that the public has frequently to contribute larger sums than are necessary for the ends of good government. But as this abuse must ob­viously originate either in the misconduct of administra­tion, or in the defective political organization of the state, it does not properly come within the scope of our inquiries. In treating of taxation, the object of the political econo­mist is not to inquire whether the revenue raised by the state exceed its necessary wants, or whether it be judici­ously expended ; but to point out the effect of taxation on individual and public wealth, and, by analysing the vari­ous methods in which a revenue may be raised, and com­paring them together, to show which is most advantageous, or rather which is least injurious.

The scheme of taxation now in force in modern Europe had its origin in the decline of the feudal system.

According to the principles of that system, the lands of a country were held as fiefs of the crown, on condition of their pos­sessors performing certain stipulated services ; of which the obligation to support the sovereign when he took the field, with a body of retainers armed and maintained at their own expense, was by far the most important. The tenants in chief of the great fiefs, or those who held direct­ly under the sovereign, were either originally invested with, or subsequently usurped, the prerogative of distributing justice in their respective lordships ; and in those days the administration of justice, instead of being a source of ex­pense, became, in consequence of the corruption and abuses with which it was infected, a considerable source both of influence and emolument. The expense of the clergy was either defrayed from the produce of their own estates, or by a tithe levied from the estates of others. And the la­bour of the peasantry, during a few days before and after harvest, sufficed to put the roads and bridges into that state of repair, which the depressed situation of commerce, and the little intercourse between the different parts of the country, seemed to require. It was not even necessary to levy a tax for the support of the monarch and his court. The rents of the crown estates, or of the royal demesnes which had not been granted to others, but which remained in the immediate possession of the sovereign, were gene­rally sufficient to defray this part of the public expenditure. When the feudal system was in its vigour, the demesnes of the crown were, in most countries, very extensive ; and the alienations occasioned by the profusion and facility of some princes, were compensated by the forfeitures and es­cheats that were always taking place.

The vicious nature of this system is too obvious to re­quire being pointed out ; and it had for a long series of years the most destructive influence over the peace and prosperity of Europe. But the progressive though slow advance of civilization ultimately occasioned its overthrow. Money payments were gradually substituted for personal services ; and the establishment of standing armies in France@@1 by Charles VII., and their introduction into other countries, entirely broke the power and spirit of the feudal aristocracy, and enabled the different governments to introduce a regu­lar plan of administration, and to enforce that system of pecuniary contribution now universally established.

The amount of a tax is not to be estimated by the *iulh* or *species* of the produce which it transfers from individuals to government, but exclusively by its *value.* A heavy taxa­tion consists in the abstraction of a large value, and a light taxation in the abstraction of a small value. When a fall takes place in the cost of producing any article, its price necessarily declines in an equal degree ; and if the value of money continue invariable, its producers are obliged to dispose of a proportionally larger quantity to obtain the means of paying the same amount of taxes. But it is an obvious error to suppose, as is very commonly done, that the burden of taxation is consequently increased. The value paid by the contributors has remained the same ; and it is by values, and not by quantities, that the weight of taxation is to be measured. If, owing to improvements in agriculture, machinery, or any other cause, *two* quarters of wheat, or *two* yards of cloth, were produced with the *same* expenditure of capital and labour now required to produce *one* quarter or *one* yard, it would be no hardship to have to give *double* the quantity of these commodities in payment of taxes.

@@@1 It was on this occasion that the ***taille*** was first imposed in Franco. Hallam's View of the Middle Ages, vol. i. p. 118.