paid originally by a manufacturer whose profits were ten per cent. would, if the manufactured commodity only pass­ed through the hands of five different persons before reach­ing the consumer, cost the latter the sum of 6734 francs. This calculation proceeds on the supposition, that he who first advanced the tax would receive from the next manu­facturer 4400 francs, and he, again, from the next 4840 francs ; so that at each step ten per cent. on its value should be added to it. “ But this,” as Mr Ricardo has justly observed, “ is to suppose that the value of the tax would be accumulating at *compound* interest ; not at the rate of ten per cent. per annum, but at an absolute rate of ten per cent. at every step of its progress. M. Sis- mondi’s statement would be correct, if five years elapsed between the first advance of the tax and the sale of the taxed commodity to the consumer ; but if one year only elapsed, a remuneration of 400 francs, instead of 2734, would give a profit at the rate of ten per cent. per annum to all who had contributed to the advance of the tax, whe­ther the commodity had passed through the hands of five manufacturers or fifty.” *(Principles,* &c. 3d edit. p. 459.)

It is certainly true that duties on commodities en­courage smuggling. “ They tempt,” says Dr Smith, “ per­sons to violate the laws of their country, who are frequently incapable of violating those of natural justice, and who would have been in every respect excellent citizens, had not the laws of their country made that a crime which nature never meant to be so.” (P. 378.) In consequence of this tendency, duties on commodities require the employment of a great number of revenue officers ; and as they expose the producers of the taxed articles to considerable incon­venience and hardship from domiciliary visits, they force them to indemnify themselves by making a corresponding addition to the price of their goods. But this, after all, is not so much a consequence of duties on commodities, as of their abuse, or of their being carried to an oppressive ex­tent. So long as they are confined within reasonable limits, the temptation which they create to engage in smug­gling transactions may be very easily obviated. And it will be immediately seen, that duties so restricted are uniformly more productive than those which are carried to such a height as to hold out any great encouragement to smuggling.

It may be said that duties on commodities do not fall on individuals in proportion to their means of paying them ; and that, while they press with undue severity on persons with large families, or who occupy prominent stations, they may be almost wholly avoided by rich misers and those in obscure stations. But in taxation we have only a choice of difficulties. However desirable, it is, as has been already seen, quite impossible to tax individuals in proportion to their incomes; and any attempt to impose an equal income- tax would not only be sure to fail, but would he attended with the most disastrous effects. We must, therefore, resort to the best practicable taxes ; that is, to duties on commodities. And it does not really appear that such duties can be considered as unequal. If duties be laid on sugar or wine, those who abstain from their use will, of course, escape them : surely, however, those who use such articles have no good right to complain of this, seeing that they may also, by being equally self-denying as the others, exempt themselves from the duties.

Sect. II—*Inquiry into the Incidence and Effect of In­direct Taxes.*

1. *Taxes on a particular commodity.—*With regard to the influence of taxes on the price of commodities, it is

clear that if a duty be laid on a particular commodity, and not on others, its price, unless some corresponding facility be at the same time given to production, will sustain an equal rise ; for if it did not rise in this proportion, the pro­fits of the producers would be sunk below the common level, and their business would be abandoned. But it de­pends on the circumstance of the commodity being of the class denominated luxuries, whether a tax on it will fall wholly on the consumers. In so far as necessaries are con­sumed by landlords or capitalists, taxes on them are also defrayed by the consumers ; but in so far as they are re­quired for the consumption of labourers, taxes on them have the same effect as if they were laid directly on wages. We have already seen that there are but few cases in which taxes affecting wages are really defrayed by the la­bourers ; and that their most common effect is to occasion an equivalent rise in the rate of wages, and a proportional fall of profits. It appears, therefore, that taxes on neces­saries do not wholly fall on the consumers ; but that they are partly defrayed by them, and partly also by the pro­prietors of stock, in consequence of their reducing the rate of profits. Such, however, is never the case with taxes on luxuries, or on commodities used only by the rich. Duties on velvets, on claret, and on coaches, for example, fall wholly on the consumers, and cannot be thrown on any one else. Such articles not being used by labourers, a duty on them can neither raise wages nor affect the rate of profit.

2. *Ad valorem Taxes on all commodities.—*It had been, we believe, uniformly supposed, down to the publication of the edition of the Wealth of Nations, by the author of this article, that an equal *ad valorem* duty on all commo­dities, by affecting them to the same extent, would not in any degree modify or change the relation or proportion which they previously bore to each other.@@1 But it must be observed, that though an equal *ad valorem* duty would affect all commodities in the same proportion, it would not affect the profits of their producers in the same, but in a very different proportion ; and it is by the degree in which the latter are affected that the relation of commodities to each other is determined. If all classes of producers uniformly employed the same proportions of fixed and circulating capital,@@2 an equal *ad valorem* duty would affect them all equally, and the values of their commodities, as compared with each other, would not be affected by its imposition. But this is not the actual state of things ; different sorts of commodities are produced by the agency of very differ­ent proportions of fixed and circulating capital ; and hence, were an equal *αd valorem* duty laid on them all, it would not affect profits equally, and would consequently cause a transfer of capital from one business to another, and a variation in the value of commodities, raising some and sinking others. To illustrate this, assuming that profits are ten per cent., let it be supposed, in the first place, that A advances L.1000 in wages at the commencement of the year, and that he receives the produce, which must, by the supposition, be worth L.1100 at the end of the year; in the second place, let it be supposed that B has a capital of L.11,000 vested in a highly durable machine, which is capable of performing its work without any, or with but very little, manual labour ; the annual produce of this ma­chine being, it is obvious, under the circumstances suppos­ed, wholly made up of profits, and necessarily selling for L.1100 ; and lastly, let it be supposed that an equal *ad valorem* duty of ten per cent. is laid on commodities. Now, it is plain that in this case A and B will each bring, at the end of the year, commodities worth L.1100 to mar-

@@@, See Mill’s F.lem. of Polit. Econ. 2d ed. p. 271.

@@@• It is, of course, taken for granted that the tiled capitals are of the same degree of durability, and that the circulating capitals are return­able in the same periods.