ket, and will therefore be respectively taxed L.110. But L.100 only of the value of A’s goods consists of profits, the , rest consisting of the capital laid out on the wages of la­bour ; whereas the whole value of B’s goods consists of profits : hence it is clear, that while the duty would swal­low up the whole of A’s profits and L.10 of his capital, it would only take ten per cent. of B’s profits. We have pur­posely chosen a case that sets the unequal operation of the tax in a striking point of view ; but whenever there was any considerable difference in the proportions of fixed and circulating capital employed in producing different com­modities, an equal *ad valorem* duty would operate in the way now pointed out. Such a duty would, therefore, be among the most injurious that could be imposed. It would cause an immediate derangement in all the channels of industry, and in the value of most descriptions of commo­dities. Capital would be driven from employments prin­cipally carried on by hand to those principally carried on by machinery ; and while the value of the commodities produced by the former would rise, the value of those produced by the latter would fall, until they had been adjusted so as to yield the same rate of profit to the pro­ducers.

It has been contended by some distinguished econo­mists, that supposing an *ad valorem* duty not to change the relation of commodities to each other, it would not­withstanding occasion a universal rise of price proportioned to the duty.@@1 Mr Mill, who has treated this subject at the greatest length, contends that this result would be occa­sioned, not by any change in the production of commodi­ties, but by an increased rapidity of circulation. But it may, we think, be shown, supposing the hypothesis on which this question has been argued to be well founded, that an *ad valorem* duty would not have the effect ascribed to it. Suppose that an *ad valorem* duty of ten per cent. **is** laid on all commodities, and let us endeavour, by tracing its operation, to discover whether it would really have any effect on their price, assuming, for the moment, that it has no influence on their relative values. The duty must either be laid upon those who buy commodities, or upon those who sell them. Suppose that A goes to buy a com­modity, and has got twenty shillings in his pocket : if the government officers take two shillings of this sum, A will, of course, have only eighteen shillings to offer for the com­modity for which on former occasions he paid twenty shil­lings ; but as the government agents will come into mar­ket with the money they have got from him, the obvious result will be, that he will get nine tenths of the commodity for his eighteen shillings, and that the officers will get the other tenth for their two shillings ; so that there is no room or ground for any, even the smallest, change taking place in its price. Suppose now that the duty, instead of being laid on the buyer, is laid on the seller : in this case, the person who received the twenty shillings from A would have to pay two of them to a tax-gatherer ; and therefore it is plain, that when he went to market he would have only nine tenths of the money in his pocket which he would have had if there had been no duty ; though, as the govern­ment agents would, as before, go to market with the other tenth, the same result would take place, and prices would continue invariable.

It may also be observed, that though the determination of the question, with respect to the incidence of an equal *ad valorem* duty on all commodities, be of considerable im­portance in regard to the theory of the science, it is one that can never be brought to any practical test. An equal *ad valorem* duty might perhaps be imposed with considera­ble fairness on some of the principal commodities imported

from abroad ; but it is quite out of the question to suppose that such a duty, even were it as desirable as it is the re­verse, should ever be imposed on the infinite variety of commodities produced within any extensive country. The greatest imaginable number of the most skilful and zealous officers would not suffice either to assess or to collect such a duty.

3. *Taxes on Raw Produce.*—The question respecting the ultimate incidence of taxes laid on the raw produce of the soil, is one of considerable nicety and difficulty. If land yielded no surplus to its possessors above the common and ordinary profit of the capital employed in its cultivation, the imposition of a tax on its produce, such, for example, as tithe, would occasion an equivalent increase of price. The level of profit may be temporarily, but it cannot be perma­nently, elevated or depressed in any particular branch of in­dustry. And as there is no reason why the agriculturists should content themselves with a reduced rate of profit, when all other employments are yielding a higher rate, as soon as a tithe was imposed they would set about transfering a portion of their stock to some more lucrative busi­ness ; and this transfer would continue until the diminution of supply raised prices to their proper level, and restored the equilibrium of profit. In such a state of things, tithe would indisputably operate precisely as an equivalent addi­tion to the price of raw produce. But after various quali­ties of soil have been brought under cultivation, and rents have, in consequence, been pretty generally introduced, it is not so easy to trace the ultimate incidence and effect of tithes. They then appear to occasion a diminution of rent rather than a rise of prices. Farms which are tithe-free always bring a higher rent than such as are subject to that charge ; and it is naturally concluded that, were tithes abo­lished, the depressed rents would be raised to the same level as the others. For this reason, in an advanced stage of society, tithe has not been considered as increasing the price of raw produce to the consumer, but as falling on rent, and as diverting a portion of it into the pockets of its right­ful owners, the clergymen and lay impropriators. “ Taxes upon the produce of land,” says Dr Smith, “ are in reality taxes upon rent, and, though they may be originally ad­vanced by the farmer, are finally paid by the landlord. When a certain portion of the produce is to be paid away for a tax, the farmer computes, as well as he can, what the value of this portion is, one year with another, likely to amount to, and he makes a proportional abatement in the rent which he agrees to pay to the landlord. There is no farmer who does not compute beforehand what the church-tithe, which is a land-tax of this kind, is, one year with another, likely to amount to.”

Clear however and conclusive as this statement appears on a first view, it is only under certain conditions and limi­tations that it holds good. It has been repeatedly shown that a very large proportion of the raw produce raised in every extensive country, is produced by means of capital laid out on the land in the view of obtaining the common and ordinary rate of profit at the time, and without its yield­ing any rent. It must also be observed, that the cost of producing this portion of the required supply of raw produce determines the price of the rest : for this portion is pro­duced under the most unfavourable circumstances ; and un­less its producers were repaid their expenses and profits, it would not be brought to market, and a scarcity would en­sue. But when a tithe is imposed, it affects, of course, the producers of this portion of the required supply, in common with the others. Inasmuch, however, as they pay no rent, it is clear they cannot throw the burden of tithe on a land­lord : as they would not continue in their business unless

@@@, Ricardo’s Principles of Political Economy, 3d ed. p. 281. Mill’s Elements, 2d ed. p. 272.