

THE SHIFTING AND  
INCIDENCE  
OF TAXATION

BY  
EDWIN R. A. SELIGMAN

Part I, Book 1  
The Early Theories

The Shifting and Incidence of Taxation  
by  
Edwin R. A. Seligman  
Professor of Political Economy and Finance  
Columbia University  
Second Edition Completely Revised And Enlarged  
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## **Preface to The Second Edition**

In this edition so many changes have been made as to constitute practically a new volume. The alterations and additions are to be found in both the historical and the positive parts. A more careful study of the early English literature brought to light so much interesting material on the theory of taxation that the entire Book First of Part One has been devoted to it; whereas, in the earlier edition, the whole period was passed over in a few pages. This book is therefore substantially new. In the Second Book a chapter has been added on the Physiocrats, the last chapter on the Mathematical Theory has been rewritten, and considerable additions have been made to some of the other chapters. In Part Two, devoted to the Positive Theory, a chapter has been inserted on the general principles, chapter five has been entirely rewritten, chapter seven has been amplified by a closer study of import duties and stamp taxes, and chapters two and three have been enlarged and amended. The whole work has been so completely revised that scarcely a single page will be found the same as in the first edition. Finally, a bibliography and an index have been added. It is hoped that these changes will ensure for this new edition a reception as favorable as that which has been unexpectedly accorded to the original work.

In preparing this edition I have received great help from my colleagues. Professors John B. Clark and Richmond Mayo-Smith have aided me with valuable criticisms. To Mr. Arthur M. Day I owe much for helpful suggestions in detail as to both matter and form from the beginning to the close of the work. From other friends also I have derived assistance. Professor Ross of Leland Stanford University and Professor Hull of Cornell University have laid me under obligations by calling attention to desirable changes and additions in the text. Professor Marshall of Cambridge and Professor Edgeworth of Oxford have been kind enough to point out some blemishes and possible improvements. Finally, Mr. George W. Morgan has undertaken the very arduous task of aiding me to read the entire proof.

EDWIN R. A. SELIGMAN.

Columbia University, N.Y., December, 1898.

## Introduction

The problem of the incidence of taxation is one of the most neglected, as it is one of the most complicated, subjects in economic science. It has indeed been treated by many writers; but its discussion in scientific literature, as well as in everyday life, has frequently been marked by what Parieu calls the "simplicity of ignorance." Yet no topic in public finance is more important; for, in every system of taxation, the cardinal point is its influence on the community. Without a correct analysis of the incidence of a tax, no proper opinion can be formed as to its actual effect or its justice. It is, therefore, time for an attempt to be made not only to pass in review the theories hitherto advanced, but to contribute to the solution of some of the theoretic problems while paying special attention to the practical aspects of the discussion.

A word first as to the terminology. In the process of taxing, we must distinguish three conceptions. First, a tax may be imposed on some person; secondly, it may be transferred by him to a second person; thirdly, it may be ultimately borne by this second person or transferred to others by whom it is finally assumed. Thus the person who originally pays the tax may not be the one who bears its burden in last instance. The process of the transfer of a tax is known as the shifting of the tax, while the settlement of the burden on the ultimate taxpayer is called the incidence of the tax. The incidence of the tax is therefore the result of the shifting, and the real economic problem lies in the nature of the shiftings.

The English language is unfortunately deficient in its nomenclature. While *incidence* conveys to the mind the notion of the ultimate result of the shifting, we have no word to express the immediate result of the original imposition of the tax. "Assessment" of the tax looks upon the process from above downward; but we lack a term to characterize the process as seen from below upward. The French and the Italians have the words *percussion*, *percussione*, to express this idea of the primary result of the assessment. They, therefore, logically term the shifting of the tax the repercuSSION<sup>1</sup> of taxation, the

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<sup>1</sup> They also use the words translation, traslazione, which are the same as our "transference" or shifting. The French also speak of taxes being "*rejetés*," our "thrown off" or "shifted."

ultimate result of which is the incidence (incidence, incidenza). But, in using English, we must content ourselves with the awkward term "original incidence," while "incidence," when used alone, technically means the ultimate incidence, or the result of the intermediate process. But the incidence—the result—must never be confounded, as is often the case, with the shifting—the process.

The shifting of a tax, moreover, must not be confused with what is known as the evasion of a tax or escape from a tax. Shifting is the non-payment of a tax through a transfer of the burden to some one else; evasion is the non-payment of a tax without any transfer. A tax may be thrown off entirely without being shifted to any one. Evasion may be either legitimate or illegitimate, conscious or unconscious. For instance, through smuggling we have an illegitimate evasion, but no shifting of the tax. On the other hand, when a new tax stimulates the improvement of processes of production,—as, for example, the beet-sugar tax in Europe or the whiskey tax in America at one time,—the producer evades the tax to a certain extent, but does not shift it. This is legitimate evasion. Finally, when there is capitalization of incidence,—a process to be fully explained later, whose main feature is the fact that under certain circumstances the purchaser of a taxable object, by cutting down the purchase price, discounts the tax which he will have to pay, —there is practically an evasion of taxation, but no shifting. In this case the evasion is unconscious; in both the preceding cases the evasion was the result of a conscious effort. The distinction between evasion and shifting has puzzled many writers. We shall have occasion to revert to it constantly.

The Germans have devised a very elaborate nomenclature to distinguish the various kinds of shifting; for example, to indicate whether a tax is shifted forward from the producer to the consumer, or back from the consumer to the producer, or farther on from one consumer to another.<sup>1</sup> Such nomenclature is impossible in English. Moreover, not only is it of little importance, but scarcely any two

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<sup>1</sup> The German terms are *Abwälzung*, *Fortwälzung*, *Ruckwälzung*, *Weiterwälzung*, and the general term *Ueberwälzung*. Their *Abwälzung* is nothing but our "evasion," and is not a form of shifting at all. Some writers, however, —Roscher, for example, —use "*Abwälzung*" to denote shifting in general. There is no uniformity in the usage.

writers use the terms in precisely the same way. Above all, the rather fine distinctions have served merely to bring about a confusion between evasion and shifting.

Another fertile source of error is the distinction between the shifting of a tax and the incidental burden which may rest on the shifter. When we consider, for instance, the shifting of a tax as between buyer and seller, or between producer and consumer, the question that concerns us is: Will the price of the article be raised by the imposition of the tax. If the price is raised, we say that the tax is to that extent shifted. But even a complete shifting of the tax does not necessarily mean an entire absence of loss to the seller. Thus, it usually happens that an increase of the price of a commodity leads to a decrease in sales; and it may happen that these decreased sales, even at higher prices, may yield less total profits than before. In such a case, not only does the buyer pay the tax, but the seller also suffers a loss, even though the tax has been shifted completely. The study of shifting, it is evident, concerns itself primarily with the extent to which a given tax, received by the government, is divided between the parties in question. It does not seek to exhaust the problem of the incidental or additional burdens which may result from the tax.

Finally, we must not confound the incidence with the effect of taxation. A tax may have a great many effects. It may diminish industry and impoverish individuals; it may stimulate production and enrich individuals; it may be an unmitigated curse to society; it may be a necessary evil; it may be an unqualified boon to the community regarded as a whole. With none of these problems does the student of incidence busy himself. All that he has to investigate is the question: On whom does the tax ultimately fall? When we once know this, we can then proceed to the further discussion of the effects produced by the pressure of taxation on the various classes or individuals. The shifting is the process; the incidence is the result; the changes in the distribution of wealth are the effect.

The discussion of incidence thus depends entirely on the investigation of the shifting of taxation. The real problem before us is to ascertain the conditions according to which a tax is shifted onward, backward, or not at all. Only when we understand whither, why, and how a tax is shifted, can we discover its actual incidence. In the following pages an attempt will be made to attack the problem by first

giving a detailed critical history of the doctrine, and then taking up the positive theory itself. In the second part it will be convenient to begin with a statement of some general principles, to follow this with a consideration of the chief separate taxes, one by one, and to close by drawing the general conclusions applicable to the science of public finance.

# PART I

## The History of The Doctrine of Incidence

### General Survey

The writers on the shifting and incidence of taxation, like those on almost all other economic topics, may be broadly divided into two classes, marked off from each other by the period in which the theory of distribution was formulated by the Physiocrats and Adam Smith. The doctrine enunciated by the first class of writers—almost exclusively English—may be summed up under the head of "The Early Theories."

The English literature on taxation, prior to Adam Smith, begins at about the middle of the seventeenth century. For somewhat more than a hundred years, the theories on the incidence of taxation are found, with a few important exceptions, in occasional pamphlets written to advocate or to oppose practical measures of reform. It was not until a few decades before Adam Smith that a consideration of the general theory of incidence assumed a more prominent place in the treatises on economic topics. The propositions of the statesmen as well as of the pamphleteers of the earlier period rest, however, on more or less definite theories of incidence.

1 The only works which contain a history of the theory of incidence are the German works of J. Kaizl, *Die Lehre von der Ueberw'dhung der Steuertt*, 1882, and G. v. Falck, *Kritische Ruckblicke auf die Entwicklung der Lehre von der Steuerüberwälzung seit Adam Smithy* 1882. Both these works deal only with the modern theories, and even for this period they are inadequate. Whole classes of authors are omitted, among them some important ones. Each work is chronological, and makes little attempt to analyze the theories according to schools. Falck is richer in the account of the early German writers. Kaizl is better acquainted with several of the French authors, although he omits some of the most noteworthy. Both neg-

lect the English authors, with the exception of Smith, Ricardo and Mill, and ignore the Continental and American writers. Falck is almost without any positive ideas at all, while Kaizl adheres so closely to one or two German predecessors that his own constructive work is slight. Both books are, however, to be recommended as the only ones that we possess on the subject. The abler work, originally written as a doctor's dissertation, is that of Dr. Kaizl, who has since then attained a prominent position as professor in the University of Prague, and as author of numerous economic treatises in Bohemian, and who now (1898) occupies the post of Minister of Finance in the Austro-Hungarian monarchy.

It may conduce to clearness to classify these pioneers according to their practical inferences from the doctrine of incidence. From this point of view, the writers before Adam Smith may be divided into six categories, as follows:—

1. Those who discuss the general excise.
2. Those who favor a single tax on luxuries.
3. Those who favor a single tax on houses.
4. Those who favor a general property tax.
5. Those who favor a single tax on land.
6. Those who favor a more eclectic system.

This whole field of economic inquiry has thus far been so little cultivated, and many of the works referred to are now so rare that it may be wise to treat this section of the history more fully than would otherwise be permissible in a work which pretends to give only a general sketch of the historical development of the doctrine of incidence.

The views developed in the period subsequent to the Physiocrats and Adam Smith, which will be discussed in Book II. under the title of "The Modern Doctrines," are somewhat more difficult to subdivide with accuracy; for it is not always easy to draw the line sharply between writers many of whom have much in common. Nevertheless, their theories of the incidence of taxation may be conveniently classified as follows:—

1. The Physiocratic theory.
2. The Absolute theory.
3. The Diffusion theory.
  - (a) The Optimistic theory.

(b) The Pessimistic theory.

4. The Capitalization theory.

5. The Eclectic theory.

6. The Agnostic theory.

7. The Socialistic theory.

8. The Quantitative or Mathematical theory.

The word "single" is not here used in opposition to "double." The phrase denotes a general tax on luxuries as the exclusive tax.

# BOOK I

## The Early Theories

### CHAPTER I—Those who discuss the General Excise

By the term "excise" is meant a tax on commodities, levied on the producer or the domestic dealer. It is distinct from customs duties which are levied on the importer; although, after commodities have once been imported, an internal duty or excise may also be levied on them. These internal taxes or excises are popularly supposed to be shifted to the consumer and, accordingly, while they are imposed in first instance on the producer or dealer they are commonly classed as indirect taxes on consumption. The English publicists, however, were by no means unanimous in accepting this popular view. We may, in fact, distinguish no less than four different theories as to the incidence of the excise. These theories are:—

1. That, while the excise is at first shifted from the dealers to the consumers, it will not finally rest on the poor consumers.
2. That the excise will rest on consumers in general.
3. That the excise will be shifted to the landowners.
4. That the excise will finally rest on the dealers or traders.

The earliest writers to propose a system of excises did not look much farther than the surface fact that the excise was a tax on a consumable commodity, and therefore presumably a tax on consumption. Their ideal was a tax on expenditure, and this ideal, in their opinion, could be most easily attained by a general excise. Although this project was a favorite one with many of the early authors, it gradually met with opponents as well as with adherents until, under Walpole, it became, in the second quarter of the eighteenth century, the subject of a fierce controversy.<sup>1</sup>

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<sup>1</sup> "Those who care to go into the literary history of the controversy over the famous " excise-scheme," which was in reality no scheme for a general excise at all, are referred to the monographs of Leser, *Ein Accisestreit in Englandy* Heidelberg,

The first English writer to posit expenditure as the basis of taxation was Hobbes, in a work written shortly after the imposition of the first excise in 1643. Hobbes, like many of the later continental tax reformers, held a tax on expense to be a logical corollary of the doctrines of equality and universality of taxation. To tax property, he thought, would be to discourage thrift and to put a premium on extravagance; while, since everybody consumes something, a tax on expense cannot possibly be evaded like so many of the other taxes.<sup>1</sup> The scheme of the excise itself was soon adopted by several writers. Thus Cradock states that "the General Excise (so much decryed and Petitioned against) in its proper Constitution, is the most equitable of Impositions: no man being charged with it, but he that sels it for profit, to the consumption of the Commodity, who in truth pays it insensibly without Complaint."<sup>2</sup> Another writer in speaking of the Dutch excise regards it as "certainly the most equal and indifferent

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1875, <sup>^^^</sup> of Ricca-Salerno, *Le dottrine finanziarie in Inghilterra tra la fine del secolo XVII e la prima nieta del XVIII*, Bologna, i888. A list of additional contemporary pamphlets may be found in the bibliography printed by Sinclair, *History of the Public Revenue of the British Empire*, 3d ed., 1804, vol. iii, appendix, pp. 94-136. Many of the monographs discussed by Leser and Ricca-Salerno do not dwell on the question of incidence. So far as they do discuss the subject, they, as well as other works of the same period not mentioned by the German and Italian writers, will be considered in the following pages.

<sup>1</sup> "The Equality of Imposition consisteth rather in the Equality of that which is consumed, than of the riches of the persons that consume the same. For what reason is there, that he which laboureth much, and sparing the fruits of his labour, consumeth little, should be more charged, then he that living idly, getteth little, and spendeth all he gets; seeing the one hath no more protection from the Commonwealth then the other ? But when the Impositions are layd upon those things which men consume, every man payeth Equally for what he useth: Nor is the Commonwealth defrauded, by the luxurious waste of private men."—*Leviathan, or the Mattir, Forme, and Pozver of a Common-wealth Ecclesiasticall and Civill*. By Thomas Hobbes of Malmesbury, London, 1651, chap. 30, part 2, p. 181 (reprint of iSSi, p. 270). For a fuller statement of the benefit theory of taxation on which this passage is based, see Seligman, *Progressive Taxation in Theory and Practice*, 1894, pp. 87, 88.

<sup>2</sup> *An Expedient for Regulating the Customes and Excise*. Approved by divers well affected Alarchants, and others of the City of London. By Francis Cradock. Marchant. London, 1659, p. 1.

tax in the world, and least prejudicial to any people."<sup>1</sup> So familiar indeed did the system become that Culpeper was able to state: "It hath always been a received Maxim, That our meer Consumption can scarce be too heavily excised."<sup>2</sup> And in another passage he remarks that: "Domestick Excise in a thriving State hath no fellow, it carries no Compost from the Soyl, and even the Labourer pays it cheerfully when work is quick."<sup>3</sup>

The excise, however, did not exist long before the pamphleteers began to have more decided views as to its incidence. Thus began the differences of opinion, which we shall now proceed to explain.

### **I. The Excise does not rest on the Poor Consumers**

The first economist to express any decided opinion on the incidence of the excise was the famous advocate of the Mercantilist theories, Thomas Mun. He discusses the tax systems of Italy and Holland, and finds their essence to consist in "a custom on all new wares transported, customs upon every alienation or sale of live Cattel, Lands, Houses, and the portions or marriage mony of women, license mony upon all Victualling houses and Innkeepers, head money, Custom

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<sup>1</sup> England's Interest Asserted in the Improvement of its Native Commodities; and more especially the Manufacture of Wool. By a true Lover of his Majesty and Native Country. London, 1669, p. 33.

<sup>2</sup> A Discourse shewing the many Advantages which will accrue to this Kingdom by the abatement of USURY, together with the Absolute necessity of Reducing Interest of MONEY to the lowest rate it bears in other Countreys, That, at least, we may Trade with our Neighbours upon Equal Termes. Humbly presented to the High Court of Parliament now Sitting. By Sir Tho. Culpeper, jun. Kt. London, 1668, p. 3. The title of the work explains why Culpeper follows up the passage in the text by the admonition: "Then tax Usury, there is no Consumption like it; Excise the Excise-man, for Usury is the grand Excise upon our Land and Trade."

<sup>3</sup> Ibid., p. 2. Culpeper is opposed to any further taxation of land, and expresses himself vigorously as follows:—

"Can the Land bear it? Surely No, if it be not limited to the present distress, and sweetened with some Recompense: Alas! Land is at its last Gasp, and ready to give up the Ghost, without a powerful Cordial: Most Parishes can already present some Farms wholly deserted, Neither Tenant being willing to hire, nor Owner able to stock them; Many stocked but two halves, most to loss: Besides, Land is like the heart, from which all the other Members must receive their Life and Vigour; Great reason therefore have we to cherish our Land, unless we will reduce our selves to the state of a meer Colony; which would manifestly end in our Desolation and Conquest."

upon all the Corn, Wine, Oyl, Salt and the like, which grow and are consumed in their own dominions." Now all these seem to be "a rabble of oppression to make the people poor and miserable."<sup>1</sup> But Mun declares this to be a mistake. For in proportion as the necessaries of life increase in price, the rate of wages must rise also. In the long run, therefore, the taxes on the poor will be shifted to the employers, and through them to the rich consumers of manufactured articles.<sup>2</sup> This is a good thing, because the rich will thus be "forced to abate their sinful excess and idle retainers."<sup>3</sup> Mun's idea, it is plain, is that taxes on consumption are to be commended because they will be shifted to the employing producer; or, at all events, that they must not be regarded as falling on the consumption of the mass of the community.

Other writers furthered the doctrine that the excise did not rest on the mass of consumers by advocating the wider theory that taxes in general are really no burden. Thus, Waterhouse maintained that "money raised upon the poorer sort, returns to them again" in the shape of increased employment or higher wages, and that a tax must be looked upon as a loan, the proceeds of which soon come back to the taxpayers.<sup>4</sup> Another writer laid down the proposition that "Impo-

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<sup>1</sup> *England's Treasure by Forraign Trade, or, the Ballance of our Forraign Trade is the Rule of our Treasure.* By Thomas Mun. 1664, chap. xvi.: "How the revenues and incomes of princes may justly be raised," pp. 151, 152.

<sup>2</sup> "Neither are these heavy Contributions so hurtfull to the happiness of the people, as they are commonly esteemed: for as the food and rayment of the poor is made dear by Excise, so doth the price of their labour rise in proportion; whereby the burden (if any be) is still upon the rich, who are either idle, or at least work not in this kind, yet have they the use and are the great consumers of the poors labour."—*Ibid.*, p. 154 (p. 89 of the reprint of 1895 in Ashley's Series of Economic Classics').

<sup>3</sup> *Ibid.*, p. 155.

<sup>4</sup> "What money the people bestow upon his Majesty in Leavies and assessments, his Majesty returns to his people in wages, pay, exchange and Merchandize, what he receives for his care, he payeth them for their Labour; what is paid to his Exchequer is returned to their Markets: there is a circle in the veine of Gold and Silver as in that of blood. ... This money is not lost, but lent. ... What the Gentry take from you with one hand, they give you with another; what their power ruling over you calls for in contribution, their goodness in employing you bestows upon you in wages."—*One Tale is good, until another is told, or, Some sober Reflections upon the Act for Chimney-Money. Drawn up for the Use of some Neighbors, and thought usefull to*

sitions upon a People make them thrive,"<sup>1</sup> and that "Taxes are no Charge either to the Kingdom in general, or to particular Persons; but on the contrary a Gain to all."<sup>2</sup> His chief arguments to prove this assertion are, first, that since taxes are employed on court or for war they make money circulate, and, secondly, that "the poor are employed by Taxes, and are by that means taken off from being a Charge to the Kingdom."<sup>3</sup> The author goes even farther than Waterhouse; for while the latter contented himself with calling taxes a species of loan, the former maintains that they ought properly to be regarded as the poor man's bank, which supports him in distress.<sup>4</sup> Of all taxes, none appears to him so good as the excise, "which indeed seems of all Taxes the most equal: for that no man by it can be said to be oppressed, he being his own Assessor, and pays but what he pleases, according to his Expence."<sup>5</sup>

Another anonymous pamphleteer of the same period agrees that "Excises are the most equal and less grievous Tax of all others," and believes that a moderate tax will not be felt to such an extent as to hinder consumption at all."<sup>6</sup> Who would ever use the less Sugar, if one penny Excise were paid out of twelve peniworth? Who would use

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*be communicated to the good people of this NATION.* By William Waterhouse, Esq., London, 1662, pp. 29, 30.

<sup>1</sup> *Taxes no Charge: in a Letter from a Gentleman, to a Person of Quality Shewing the Nature, Use, and Benefit of Taxes in this Kingdom; and compared with the Impositions of Foreign States*, London, 1690, p. 5.

<sup>2</sup> *Ibid.*, p. 9.

<sup>3</sup> *Ibid.*, p. 13. Additional reasons are that "the worst members in the Commonwealth (viz.) the Extravagant and Debauch'd" really pay the taxes, and that so far as taxes consist of customs duties, they "Keep out a Destructive Trade."

<sup>4</sup> " 'Tis a vulgar error to believe that Taxes, even to the meanest Man is a Charge, for that his Mite is with increase return'd by the expence of that which would never have seen day, but by the force of a Law; so that publick Taxes, expended in our own Country, may be accounted the poor and the Mechanick's bank, by which they are employed, and maintained."—*Ibid.*, pp. 17, 18.

<sup>5</sup> *Taxes no Charge*, p. 25. Although the author opposes the benevolences, monopolies, alterations of money and taxes on polls, offices and travellers, he suggests a supplement to the general excise through taxes on Jews, playhouses and "the Vermin of the Nation, lewd Persons of both Sexes." It is no wonder that he confesses in another place: "thus I have huddl'd together a mixt Discourse."—*Ibid.*, p. 19.

<sup>6</sup> *A familiar Discourse between George, a true-hearted English Gentleman, and Hans, a Dutch Merchant: Concerning the present Affairs of England*. London, 1672, pp. 37, 38.

the fewer Ribbons, for 2d. Excise upon every 12d.? Who would play the less at Cards or Dice, if 3d. were paid out of 12d.? What Lady would ever forbear to wear Pearls or Diamonds, or to buy Fans and Looking-Glasses, if 4d. were laid upon every 12d." Our author's confidence in the harmlessness of a tax amounting to one-third of the value of a commodity would, perhaps, not be shared by many of the present day.

These views of Mun and his successors as to the virtual immunity of the mass of consumers from the weight of taxation did not, however, make much headway. During the following decades the opinion, to be discussed in the next section, that the excise was a real burden on the poorer consumers, gradually gained ground. But toward the middle of the eighteenth century, isolated writers reverted to the theory of Mun. Of these, none is more remarkable than Fauquier. He gives a most lucid and vigorous argument, designed to show that a tax on the workingman, whether a direct tax on wages or an excise on the necessaries of life, will inevitably be shifted from his shoulders. Fauquier puts his general principle as follows: "The Poor do not, never have, nor ever possibly can, pay any Tax whatever. A man that has nothing can pay nothing."<sup>1</sup> He proceeds on the assumption that wages are always at the bare minimum of subsistence. If the laborer, therefore, can no longer live on his usual income, whether this condition be due to an increase in the price of necessaries or to a forcible diminution of his wages through a tax, his nominal wages must rise in proportion.<sup>2</sup> In fact, Fauquier believes that in many cases his wages will rise more than in proportion to the tax. But this he does not attempt to prove. He does, indeed, try to show that when a tax is imposed on the producer or the seller of

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<sup>1</sup> *An Essay on Ways and Means for raising Money for the Support of the Present War, without increasing the Public Debts.* By F. F. (Fauquier), London, 1756, p. 17. "This is universally true in all Countries," he adds, "at all Times, and equally so, whether Provisions are dear or cheap. I have heard, that in India a man can live for one Penny a Day; this then will be nearly the Price of Labour in that Country."

<sup>2</sup> "If by Taxes, or Dearth, or any other Cause, the common Necessaries of Life become so dear, that a Labourer cannot live at the usual Wages; the Price of Labour must, and in Fact actually does, rise in Proportion thereto at least, generally much more."—*Ibid.*, p. i8. "If Taxes are laid on Labour meerly, or on such Articles as the meanest Labourer must want and use, he will still live, and his Wages must be raised."—*Ibid.*, p. 20.

commodities, a sum over and above the tax will be shifted to the purchaser.<sup>1</sup> But even if this conclusion were valid as to profits, the reasoning would not be applicable to wages. However this may be, Fauquier is quite positive that taxes rest only on the rich consumer, "that is, the Man of Fortune who lives on his Income." And this is true, "even in those Taxes which are said mostly to affect the Poor, and which they seem, at first Sight, to pay out of their own Pockets."<sup>2</sup>

Fauquier, indeed, differed from Mun in his practical conclusions. For while Mun advocated the general excise, Fauquier opposed it on the ground that the same result—that of taxing expense—might be more conveniently attained in another way.<sup>3</sup> The point of interest to us here, however, is that both writers agreed in the belief that an excise would not rest on the poor consumer, but would be shifted to the employer, and that if we can speak of an excise resting at all on the consumer, it is the rich consumer that is meant. This doctrine was later accepted by Sir James Steuart<sup>4</sup> and became a part of the classical doctrine, as elaborated by Adam Smith and Ricardo.

## **2. The Excise rests on Consumers in General**

By far a majority of the writers believed that the excise rested on the mass of consumers in general, irrespective of the fact whether they were poor or rich. This broad theory was ushered in by the famous economist and statistician, Sir William Petty. Petty also has the distinction of being the first English writer to devote an entire work to the subject of taxation.<sup>5</sup> It will repay us, therefore, to dwell somewhat more fully on the general theory of incidence that is found in his book.

Petty first discusses the procuring of revenue from land, which he says can be done in two ways,—either by "setting apart a proportion

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<sup>1</sup> "If [taxes are laid] on the Manufacturers, or Venders of Goods, they will raise the Prices of the Commodities they respectively deal in, sufficient not only to pay the Tax, but to make them full amends for the Money they disburse for the Payment of it, and then always make a third Addition to bring the Price to a round or even Sum. So that the whole Tax, and much more, is ultimately paid by the Consumer."—*Ibid.*, pp. 19, 20.

<sup>2</sup> *Ibid.*, p. 20. c

<sup>3</sup> See below, p. 62.

<sup>4</sup> See below, p. 88.

<sup>5</sup> *A Treatise of Taxes and Contributions*. [By William Petty.] London, 1667.

of the whole Territory for Publick Uses," or by "an excision of the land by way of assessment or land tax." Such a land tax, where "an aliquot part of every Landlords Rent were excluded or retrenched," is good in a new country, where a certain quit-rent is reserved beforehand, because it will be borne partly by the landlord, but also partly by the consumers. For "it is not onely the Landlord pays, but every man who eats but an Egg, or an Onion of the growth of his Lands; or who uses the help of any Artisan, which feedeth on the same."<sup>1</sup> In old countries, like England, he continues, where rents are fixed for a long time, such a tax would be unjust, because it would benefit only the landlords who renew their rents. These gain doubly, "one way by the raising of their Revenues, and the other by enhancing the prices of provisions upon them." For the tax "doth ultimately light upon the consumptioners," or, as he again puts it, a "Land-tax resolves into an irregular Excize upon Consumptions, that those bear it most, who least complain."<sup>2</sup>

Petty also discusses the house tax or "an Excisium out of the Rent of Houseing." He deems the influence of this much more uncertain than that of land, "for an House is of a double nature, viz.: one, wherein it is a way and means of expence; the other, as 'tis an Instrument and Tool of gain. ... Now the way of a Land-tax rates housing, as of the latter nature, but the Excise as of the former."<sup>3</sup> From which it maybe inferred that Petty thinks a house tax will be shifted to the consumer or occupier, and will be shifted further on to consumers when the occupier himself is a producer.

In regard to "customs," both "outwards" and "inwards," Petty assumes that they will be shifted to the consumers, and concerns himself primarily with stating the principles on which they should be levied. His chief objection to customs duties is that they are frequently imposed on articles which serve as the raw materials for further production, or, as he puts it, "that Duties are laid upon things not yet ripe for use, upon Commodities in *feri*, and but in the way of

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<sup>1</sup> Ibid., p. 20.

<sup>2</sup> A Treatise of Taxes and Contributions, p. 21. d

<sup>3</sup> Ibid., p. 21.

their full improvements."<sup>1</sup> Poll-money, which he opposes because of its inequality,<sup>2</sup> he thinks cannot be shifted. He concludes that a general excise is the best of all taxes, and assumes that, while it will be transferred to the general consumer, it cannot be shifted any further. In this respect it is superior to the land and house taxes; for these, as we have seen, are only partially shifted to the consumer.

Petty's views on the general property tax are interesting as showing in this, the first book on the theory of taxation, a recognition of the defects of the system which was gradually coming to its close in England. After recounting the many defects and abuses connected with the system,<sup>3</sup> he closes with the statement: "I have not patience to speak more against it: daring rather conclude without more ado, in the words of our Comick to be naught, yea exceeding naught, very abominable, and not good." In another work, however, Petty seems still to pin some faith on the chance of reaching personal property.<sup>4</sup>

This is not the place to discuss Petty's many reasons for favoring expenditure as the basis of taxation.<sup>5</sup> It will suffice for our purposes to state that, starting out from the principle that a tax on expense is the ideal form of taxation, Petty advocates the general excise as reaching this result most surely and most speedily. He discusses the plan of levying a single tax on some one object of expenditure,

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<sup>1</sup> Ibid., p. 36. "This," he later adds, "is the reason why I think the Leavy we commonly call Customs to be unseasonable and preposterous, the same being a payment before consumption."—Ibid., p. 70.

<sup>2</sup> Petty grows very indignant over the English system: "so as by this Confusion, Arbitraries, Irregularities, and hotch pot of Qualifications, no estimate could be made of the fitness of this Plaister to the Sore."—Ibid., p. 41.

<sup>3</sup> "There have been in our times, ways of levying an aliquot part of mens Estates, as a Fifth, and Twentieth, viz. of their Estates real and personal, yea, of their Offices, Faculties, and imaginary Estates also, in and about which way may be so much fraud, collusion, oppression, and trouble, some purposely getting themselves taxed to gain more trust: Others bribing to be taxed low, and it being impossible to check or examine, or trace these Collections by the print of any footsteps they leave (such as the Hearths of Chimney are)."—*A Treatise of Taxes*, pp. 61, 62.

<sup>4</sup> He hazards the conjecture that "assessments upon personal estates, if given in as elsewhere upon oath, would bring that branch which of itself is most dark to a sufficient clearness."—*Verbum Sapienti*; or ... the Method of raising Taxes in the most equal manner, p. 17 (Appended to his *Political Anatomy of Ireland*, edition of 1691). Cf. Seligman, *Essays in Taxation*, p. 48.

<sup>5</sup> They may be found in chap. xv. of *A Treatise of Taxes*.

termed by him the "Accumulative Excise" or tax "upon some one single particular," which may be deemed "to be nearest the common standard of all Expense." But he prefers the scheme of levying a tax upon "every particular Necessary, just when it is ripe for Consumption."<sup>1</sup> Still, as he himself sees that this may be "too laborious," Petty suggests as an alternative scheme that "we ought to enumerate a Catalogue of Commodities, such whereof accompts may be most easily taken," but "being withall such, as are to be as near Consumption as possible."

The views of Petty gradually diffused themselves throughout the community, keeping pace with the ever-widening use of indirect taxes on consumption. Many of the writers of the close of the seventeenth century now became ardent advocates of the general excise. The author of an interesting pamphlet, after giving a definition of excise,<sup>2</sup> proceeds to explain that, although the "makers or Factors" of commodities advance the money, they really shift the tax to the public without the latter being aware of it. This constitutes, in his eyes, the great advantage of the excise; for if the tax were imposed directly on the consumers, it would give rise to great complaint.<sup>3</sup> The author is very careful, however, to emphasize the necessity of taxing only those articles which are necessities of life and in universal use. In this way, he asserts, not only will the revenue be large, but the principle of universality of taxation will be carried out.<sup>4</sup>

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<sup>1</sup> This he terms "the very perfect Idea of making a Leavy upon Consumptions."—*Ibid.*, p. 69.

<sup>2</sup> "When we speak of an Excise, we mean ... the whole Duties of any kind whatsoever, that are charged upon any Goods or Commodities expended within the Kingdom."—*A Discourse (by way of Essay) humbly offered to the Consideration of the Honourable House of Commons, towards the Raising Moneys by an Excise, demonstrating the Conveniency of Raising Moneys that Way.* By W. C, Esq. London, 1695/6, p. 3.

<sup>3</sup> "The Money being deposited by the Makers or Factors who take it again, in the Price of them, at the Sale, the People pay it insensibly in the Value of the Goods they buy; for we must not think that the Merchants or Traders pay all the Money of the Customs and Excise; they are but the Depositors of it, and the People paying it in a way so secret and insensible, it meeteth not with any Contradiction from them, as it would do, were they themselves to lay down the present money."—*Ibid.*, p. 4.

<sup>4</sup> This plan is "that whatsoever Commodities be made Excisable, are to be of a large, universal and necessary Expence: Of a large Expence, otherwise, there will be a great Noise to little Purpose. If it be of an Universal Expence, then every Man will

The same belief in the excise, on the score of its reaching the entire mass of the consumers, is found in the work of Burnaby, who advocated an extension of some of the internal duties on commodities. His particular scheme was the imposition of a tax on malt, which in his opinion "will be less felt than usually Taxes are, by reason every Person will pay Proportionable in the Price of Malt."<sup>1</sup> He lays down his general principle as follows: "The more universal any Tax is, it is to be supposed (unless in some Particular Cases) to be the more equal." Then follows the minor premise: "I presume, no Person will deny that such a Tax will prove so universal, that not any Person will escape paying his Proportion according to his consumption." From all of which it is easy to draw the conclusion that "no Person can complain; who Consumes little, will have but little to pay."

Another writer, commenting upon some of Petty's statements, puts very forcibly the case for the general excise, of which he says, "I must allow, 'tis, singly considered, perhaps the most equal, and Innocent of any particular way of Taxing, commonly proposed or discoursed of."<sup>2</sup> Not only is every man, he thinks, his own assessor, but the tax is paid by the final consumer almost unconsciously; it conduces to thrift, and it spares the land, which is the real source of public wealth.<sup>3</sup> Nevertheless he is alive to some of its shortcomings,<sup>1</sup> and

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bear his Lot. If it be of Necessary Expence, there will be no avoiding the Use of that Commodity."—*Ibid.*, p. 8.

<sup>1</sup> Two Proposals, Humbly Offered to the Honourable House of Commons, now assembled in Parliament. I, That a Duty be laid on Malt, in the stead of the present Duty on Beer and Ale. II. That a Duty be laid on Malt, and the present Duty on Beer and Ale be continued. By A. Burnaby, of the Middle-Temple, Gent, London, 1696, p. 2. Cf p. 24. Much the same idea is contained in another pamphlet by Burnaby, entitled: An Essay upon the excising of Malt, as also the present Case of Tallies considered. London, 1696.

<sup>2</sup> "Excepting," he adds, like all the writers of the time, "Imposts on some Forreign hurtful Superfluities, for the due regulating of Trade."—*A Letter from a Gentleman in the Country to his Friend in the City: touching Sir William Petty's Posthumous Treatise; entitled Verbiim Sapienti*, etc. London, 1691, p. 14. This tract has sometimes been ascribed, but probably without good reason, to Sir Thomas Culpeper.

<sup>3</sup> "It hath a notable Air and Aspect of Freedom, every one being indeed his own Assessor: It rises almost insensibly, bringing the Multitude (who are more apt to murmur at integral Taxes), without much Grudging, to pay their Quota's in this. It affects not immediately the Fund of Land, as our sole Land-Taxes mischievously do:

queries whether the object of relieving the land from excessive taxation may not perhaps be more conveniently attained in another way.<sup>2</sup>

A considerable number of other writers, who believed that the excise would be shifted to the mass of consumers, now began to express their doubts as to the beneficence of the tax in general. Several went no further than to criticise the rate of the tax, admitting the validity of the principle of the excise, but desiring necessaries to be taxed at a lower rate. Thus Sheridan contends that "the Excise, if equally imposed, were the best and easiest of all taxes,"<sup>3</sup> and advances the usual arguments in its favor.<sup>4</sup> But in discussing some of the special excises, such as the beer-tax, he maintains that they should have been levied on the richer classes, rather than on the working-man.<sup>5</sup> It is perhaps his uncertainty as to the real benefits of the excise that leads him to propose as a possible, but novel, substitute a tax on bachelors.<sup>6</sup> In much the same spirit the author of the celebrated *Brit-*

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And so powerfully doth it recommend, indeed preach Frugality, that, to say the truth, It in a manner condemns all Unthrifths, as meer Ideots or Lunaticks."—*Ibid.*, p. 14.

<sup>1</sup> "Excise, you know, hath obtained a current Repute of perfect Equality: Now I by no means admit of that; not only Niggards, but all those whose Condition obliges them not to live Honourably upon their Demeans, at pleasure avoiding it."

<sup>2</sup> See below, p. 68.

<sup>3</sup> A Discourse on the Rise and Power of Parliaments, of Laws, of Courts of Judicature, of Liberty, Property, and Religion, of Taxes, Trade and of the Interest of England in Reference to France. In a Letter from a Gentleman in the Country to a Member of Parliament. [By Thomas Sheridan.] London, 1677, chap. xiii, "of Taxes." Reprinted as a separate volume in *Some Revelations in Irish History; or, Old Elements of Creed and Class Conciliation in Ireland*. Edited by Saxe Bannister. London, 1870.

<sup>4</sup> "It ought to be laid upon all things ready to be consumed. This puts it into the power of every man to pay more or less, as he resolves to live loosely or thriftily; by this course no man pays but according to his enjoyment or actual riches, of which none can be said to have more than what he spends; true riches consisting only in the use."—*Ibid.*, p. 172.

<sup>5</sup> "To speak the truth in good conscience, this branch ought to have been imposed on the nobles and estated-men rather than on the artificer and labourers, who were very slenderly concerned in the grounds of it."—*Ibid.*, P- 173.

<sup>6</sup> "I have thought of a sort of tax which I believe is perfectly new to all the world. ... It is a tax upon celibate, or upon unmarried people, viz.: that the eldest sons of gentlemen, and other degrees of nobility upwards, and all other persons not married

*annia Languens*<sup>1</sup> advocates an excise primarily on the superfluities of the rich, and maintains that if excises are levied on ordinary necessities at all they must be very low ones.<sup>2</sup> A little later we find the view that high excises are clearly pernicious, and that revenue should be derived rather from "small excises" on commodities which had hitherto escaped taxation.<sup>3</sup> Finally, the growing belief that high excises would ultimately affect the consumer led some writers to advocate particular kinds of excises for the precise purpose of diminishing extravagant consumption. A good example of this is the proposal to tax bricks in order to check the growth of London at the expense of the rural districts.<sup>4</sup>

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by the times limited as aforesaid [from twenty to twenty-five years of age], shall pay per annum a-piece these following rates, etc., etc.; and all married men not cohabiting with their wives to pay quadruple."—*A Discourse on the Rise and Power of Parliaments*, pp. 177, 179.

<sup>1</sup> *Britannia Languens, or a Discourse of Trade: shewing the Grounds and Reasons of the Increase and Decay of Land-Rents, National Wealth and Strength*, etc. London, 1680.

<sup>2</sup> "But since I have now, and before mentioned Excises, and have observed some men of Parts, almost to startle at the naming of a new Excise, I shall thus far explain and vindicate myself, and the proposal: First, I shall agree that such Excises as affect and over-burthen the beneficial parts of Trade, are of pernicious Consequence. Secondly, that an Universality of Excise is both inconvenient and unnecessary; but that there may be Excises Imposed on many Superfluities, and Excesses, in Meats, Drinks, or Equipages, or upon some imported Goods Consumed at home, which would be no prejudice to any kind of Trade; being no clog upon our Exports, or Re-exports; or perhaps, a very small Excise on ordinary Meats, Drinks, and Apparel, might be supportable."—*Ibid.*, p. 294.

<sup>3</sup> "High Customs and Excises are great Obstructions to Trade. ... This Grievance might be redressed by moderating the excessive Duties, and making the Excises more universal." The author therefore proposes "a new Fund by small Excises on Things which have not been yet Taxed."—*A Proposal for the Payment of the Publick Debts, and an Account of some Things mentioned in Parliament on that Occasion*. London, 17 14, p. 20.

<sup>4</sup> "The Duty on Bricks and Tiles may give a seasonable Check to the wanton and extravagant Humour of Building, particularly about this Metropolis, whereby the Head is likely to grow too big for the Body."—*Animadversions and Observations upon a Treatise entitled Some Calculations and Remarks relating to the present State of the publick Debts and Funds ... by Archibald Hutcheson ... to which is added a New Proposition to raise Money for the Use of the Publick. Humbly submitted to the Consideration of both Houses of Parliament*, etc. London, 1718, p. 47. The author joins to this recommendation, a proposal for a tax on plate.

The authors hitherto discussed, holding to the doctrine that a tax on the producer or dealer is shifted to the consumer, all agree that excises are desirable, although they differ somewhat in the intensity of their desire for such a method of revenue. But we now meet with a class of writers who hold the same theory of incidence, while at the same time they strenuously object to all excises, precisely because they fall on the consumers. They accept the doctrine that excises are shifted to the consumer, but they do not believe that the consumer ought to be saddled with the entire load. We meet with this objection to excises very shortly after the inauguration of the system.<sup>1</sup>

The growing opposition is well reflected in a Scotch pamphlet written at the beginning of the eighteenth century, in which a melancholy picture of the future of the kingdom is traced, and the gradual pauperization of the whole community is predicted.<sup>2</sup> But it was espe-

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<sup>1</sup> One of these early writers expresses himself very vehemently, as follows: "That the Excise of Ale, Beer, Perry, and Syder, and the charges, affliction, and troubles, which it brings upon the people, which before our times of misery, would have brought death and ruine any private contriver; and was at the first created by Oliver and his Impes to maintain a cursed Rebellion, and set up a destroying and detestable Anarchy, may be abolished, and taken away, and the Nation restored to the freedom and quiet which they formerly enjoyed under this our ancient and excellently composed Monarchy."—*Restauranda: or the Necessity of Publick Repairs, by setting of a certain and Royal yearly Revenue for the King*. [By Fabian Philips.] London, 1662, p. 95. A still earlier fulmination was: *A Declaration against the illegal, detestable, oft condemned new Tax and Extortion of Excise in general, and for Hops (a native uncertain commodity) in particular*. By William Prynne, Esq. London, 1654.

<sup>2</sup> "Our Merchants are the first Advancers of the Taxes that are upon Trade, but they are refounded with double Interest by the Noblemen and Gentlemen, who for the most part consume all the valuable Goods Imported.

"Our Peers and Barons, may easily judge, how far they will be able to make any Consumpt of these Goods, or pay what they get, when there is not only Taxes on their Land, but on the Product of their Land, viz. their Malt, Beer and Ale.

"Our Burgesses may soon consider, that when the Peers and Barons have no Money, their Trade must decay.

"Our Mechanicks will have no difficulty to believe, that if there be no Trade, and no circulation of Money, their best Trade will be a Plantation Trade.

"And in the last place, when our Commons buy such dear Ale, pay so much Tax on Salt, have nothing or a very small Price for the Fruit of their Labour; they will never be in a Condition to pay their Farms; so in place of Riches, Poverty will soon circulate among us."—*A Short View of our present Trade and Taxes compared with what these Taxes may amount to after the Union. With some Reasons why (if we*

cially at the time of Walpole's excise scheme that this opinion as to the pernicious effects of the excise was expressed with great energy.<sup>1</sup> Some of the writers, however, who were then quite willing to abandon consumption as the general norm of taxation, based their opposition to excises primarily on the ground that the tax falls with greater severity on the poorer consumer, and that it is to be reprehended for this reason.

One of the earliest authors to show this defect in the excise is Cary. He starts out with the general proposition that the tax system must be so contrived "that the Poor bear little or none of the Burthen, their Province being more properly to labour and fight than pay."<sup>2</sup> Not only does a man who works for his income part with it with reluctance, says he, but the revenue accruing to the government from these small payments will after all be insignificant.<sup>3</sup> The vital objection to the excise, however, is its inequality; for although the rich man consumes more than the poor man, the tax is paid in the one case out of the surplus over and above all needful expenditure, but in

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*enter in an Union) our Trade should be under our own Regulations.* 1706, pp. 5, 6. The work is sometimes ascribed to Daniel De Foe.

<sup>1</sup> Cf. the following passage: Excises first got a footing amongst us in the Civil Wars, which was a time of universal Confusion; and they were then so odious that each party branded the other with being the Authors thereof; but before that, they were so much dreaded, that a Member of Parliament was very near being sent to the Tower for only mentioning their name in the House, tho' with no evil design: What then would they have done to the Man, who should have proposed multiplying them, when the Nation groaned under the Burthen of so many, as we do already."—A Word to the Freeholders and Burgesses of Great Britain, being Seasonable and serious Remarks upon the inconsistent Conduct of certain Boroughs, in sending Instructions to their Representatives to oppose the Excise Bill, and yet re-electing them after their being rewarded with Places for voting for the same. London, 1733, p. 31.

<sup>2</sup> An Essay on the State of England in relation to its Trade, its Poor and its Taxes, for carrying on the present War against France. By John Cary, Merchant in Bristoll. Bristoll, 1695, P. 173.

<sup>3</sup> "He that gets his Money by the Sweat of his Brow parts not from it without much Remorse and Discontent, and when all is done, 'tis but a little they pay, therefore Taxes that light heavy on them (such as Chimney-Money, and oftentimes a Poll) tend rather to unhinge than assist the Government, by disgusting such a number of robust and hardy men as carry a great personal Ballance in the Kingdom."—*Ibid.*, p. 174.

the other case out of a fund which barely suffices for the necessaries of life.<sup>1</sup>

This view, which closely approaches the one held by modern democracies, was occasionally emphasized in the following decades. One vigorous writer, early in the eighteenth century, objects to "those cruel and unequal Taxes, which pinch and afflict those People chiefly who are least able to support Taxes."<sup>2</sup> He advances what he calls a "true, tho' perhaps not a regularly determin'd Observation"; namely, "when Land is Tax'd, the Rich pay more than the Poor; but when the Product of Land is tax'd, the Poor pay more than the Rich." He proceeds to show that "the Rich pay for their Land because they have it; the Poor pay for their daily Necessaries, because they have them not."<sup>3</sup> Owing to his belief that taxes on commodities are relatively more burdensome to the poor, he favors the land tax,<sup>4</sup> together with a tax on funds.<sup>5</sup>

This view as to the incidence of the excise was, however, in some danger of being neglected, when, toward the middle of the eighteenth century, it was again put forward by two writers with such force that it left its indelible imprint on general thought. One of these authors goes so far as to break entirely with the old theory of the basis of taxation, and to lay down the principle that taxes should be levied according to property and not according to consumption. The excise, says he, sins against this cardinal rule, and is therefore convicted of inequality.<sup>6</sup> But even regarded as a tax on property—that is, on

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<sup>1</sup> "A general Excise cannot do well, for besides the great Charge and Oppression of Officers, it shews no Respect to the Poor, but they pay more than the Wealthiest of their Neighbours suitable to what they have; for though a rich Man spends more in excisable things than a poor Man doth, yet it is not his All, whereas the other's Poverty gives him leave to lay up nothing, but 'tis as much as he can do to provide Necessaries for his Family, out of all which he pays his Proportion."—*Ibid.*, p. 174.

<sup>2</sup> *Fair Payment no Sponge: or. Some Considerations on the Unreasonableness of Refusing to Receive back Money lent on Publick Securities, And the Necessity of Setting the Nation Free from the insupportable Burthen of Debt and Taxes.* London, 1717. Chap. ix, "Of Equality of Taxes," p. 60.

<sup>3</sup> *Ibid.*, p. 61.

<sup>4</sup> *Ibid.*, p. 67.

<sup>5</sup> *Ibid.*, chap. x, "Of Inequalities in Taxings," p. 71. See below, p. 69.

<sup>6</sup> "Excises, as they are of all Impositions the most injurious to Liberty, so they are the most unequal in their Nature, and fall the most heavily on Property ... They are

commodities—the excise is thoroughly unequal; for not only the tax, but a great deal over and above the tax, will be shifted to the consumer, and will hit the poor man on his necessaries.<sup>1</sup> Our author is, however, so far carried away by his ardor to show the evils of the excise as to intimate that wages must rise with the increased price of necessaries, and that therefore the whole community will suffer in the end.<sup>2</sup> Were it not that he puts his emphasis on the first point—the burden on the poor,—rather than on the second—the burden on the general community—he ought rather to be included with writers like Mun and Fauquier.<sup>3</sup>

The charge of inconsistency can, however, not be brought against Sir John Nickolls, the other writer to show the inequality of general taxes on consumption. Nickolls firmly held to the opinion that when taxes reached the consumers they stayed there.<sup>4</sup> Taxes on consumption, in his opinion, are thoroughly unjust, because they are out of all proportion to the relative abilities of the taxpayers; for abilities are measured by property and not by consumption.<sup>5</sup>

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the most unequal, because Taxes should be measur'd by Property ... But Excises measure by the Quantity of a Commodity consum'd: Whence the Contribution of a poor Man with a large Family, may exceed Those of a rich Batchelor of a hundred Times his Fortune."—*An Appeal to the Public, in relation to the Tobacco \* \* \* and a Revival of the old Project, to establish a General Excise*. London, 175 1, p. 51.

<sup>1</sup> "They fall most heavily on Property, more especially when impos'd on Necessaries, or on Commodities render'd by Habit necessary, because they accumulate as they go; because he that issues the Tax first, will be paid for the disbursement and also for the extraordinary Difficulties, Hardships, and Visitations brought upon him by them."—*Ibid.*, p. 52.

<sup>2</sup> "Because the Price of Labour rises with the Price of the Commodities consum'd by the Labourer: and because the Dearnness of Labour affects the whole Circle of our Commerce, both Domestic and Foreign ... This is sufficient to shew, that tho' the Trader is the first Person pinch'd on these Occasions, the Evil is progressive, and at last both fastens and preys on the whole Community."—*Ibid.*, pp. 52, 53.

<sup>3</sup> See above, pp. 14 to 18.

<sup>4</sup> Remarks on the Advantages and Disadvantages of France and of Great Britain with Respect to Commerce, and to the other Means of Increasing the Wealth and Power of a State. Being a (pretended) Translation from the English, written by Sir John Nickolls and printed at Leyden 1754. Translated out of the French Original. London, 1754.

<sup>5</sup> "That these taxes incurr the objection of being unequal, and unjust, in that, for the portion of things absolutely necessary to life, the poor and the rich pay the same sum: insomuch that whereas the people being supposed divided into two parts pretty

The opposition to the excise was also strengthened by those who not only pointed out that high taxes would cause serious damage to the consumer by compelling him to diminish his consumption, but also showed that this would involve a serious loss of revenue to the government. The point that was subsequently so well put by Dean Swift, that in the arithmetic of the customs two and two do not always make four, was already emphasized during the excise controversy, and was declared equally applicable to internal duties.<sup>1</sup>

The chief controversy as to the advisability of the excise turned, however, on the question of its influence on the laborer, and more especially of its effect on the cost of labor. Mun and his followers, it will be remembered, maintained that, so far as taxes on consumption were taxes on the necessaries of life of the laborers, they would be shifted to the employers. Petty and his school, on the other hand, held that the excise on necessaries of life would rest on the workman. But while these latter writers agreed on the theory of incidence, they drew different conclusions according to their belief in the efficacy of high or of low wages. Most of the writers of the close of the seventeenth and the first half of the eighteenth century imagined that taxes on the necessaries of life would constitute a great stimulus toward an improvement in the condition of the laborer, in sobriety, carefulness and efficiency. A tax on labor would thus, they thought, be a real spur to industry and commerce, and a benefit to the community in

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near equal, of which the one has only its industry to live upon, the other possesses riches, enjoys, and pays the labor of the other: these two halves, so different in their abilities, share nevertheless equally the weight of these taxes upon all the commodities, or rather necessaries, of which the consumption admits of little or no abuse or luxury. The contribution is light, for the batchelors or single persons, in easy and idle circumstances: but is excessive for those useful! subjects, of whom the families are numerous, and the fortunes narrow."—*Ibid.*, p. 260. For his practical propositions, see below, p. 58.

<sup>1</sup> "This is a Truth which will, I believe, be acknowledged by all Traders in general, it being universally known that the greater Duty any Commodity pays, the less of it ten-fold is consumed; consequently if the King has two Pence in the Pound for any Merchandize, that before paid but one Penny, not above a tenth Part of that Merchandize will be consumed, and consequently not above a tenth Part imported; so that upon the Ballance the Crown will be a Loser eight Parts in ten."—*The Norfolk Scheme: or a Letter to William Ptilteney, Esq.; on the Present Posture of Affairs, particularly with Relation to the Scheme for altering the Method of Collecting the Revenues, by converting the Customs into Excises*, etc. London, 1733, p. 27.

general; for low wages mean low cost of production. When the necessities of life are taxed, runs the argument, not only will the laborer have to work harder and longer to maintain himself,—which will be a benefit to him—but, on the other hand, there will be a reduction in the labor-cost to the employer, which will be an advantage to the community. It was only very slowly that this belief in the efficacy of low wages was replaced by what we are to-day accustomed to call the theory of the economy of high wages. With it came a corresponding distrust of the policy of taxes on the necessities of life. But both the advocates and the opponents of the excise from this point of view based their practical conclusions on the same theory of incidence; namely, that a tax on necessities would rest on the laborer.<sup>1</sup>

The earliest trace of the doctrine that high wages are bad not only for the laborer but also for the community is found in a work of Thomas Manley. He points out that high wages are the principal cause of England's inability to compete with Holland in the production of manufactures. At the same time, he contends, high wages do the laborer no good, because not only do "the men have just as much the more to spend in tipples, and remain now poorer than when their wages was less," but "they work so much the fewer days by how much the more they exact in their wages."<sup>2</sup> Another writer shortly after expresses very much the same view as to the "mischievousness" of high wages,<sup>3</sup> and suggests that an endeavor be made "to reduce the

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<sup>1</sup> A mention of a few of the writers discussed in the following pages may be found in Schulze-Gävernitz, *Der Grossbetrieb*, 1892, pp. 2-10, recently translated by O. S. Hall, under the title of *The Cotton Trade in England and on the Continent*. London, 1895. But he does not treat them at all from the fiscal point of view. Cf. also the few words in Brentano, *Das Verhältnis von Arbeitslohn und Arbeitszeit zur Arbeitsleistung*, 1875; 2d ed., 1893, P- 57.

<sup>2</sup> Usury at Six per Cent, examined, and Found unjustly charged by Sir Tho. Culpeper and J. C. with many Crimes and Oppressions, whereof 'tis altogether innocent. Wherein is skewed the necessity of retrenching our Luxury and vain consumption of Forreign Commodities, imported by English Money: also the reducing the Wages of Servants, Labourers, and Workmen of all sorts, which raiseth the value of our Manufactures, 75 or 20 per Cent, dearer than our Neighbours do afford them, by reason of their cheap Wages, etc. By Thomas Manley, Gent. London, 1669, p. 19.

<sup>3</sup> "Handicraft Tradesmens high wages, which they exact for their work, is greatly mischievous, not only to every man who hath occasion to use them ... but it is de-

wages of our Manufacturers to a more sober and less expensive way of living."

Neither Manley nor his anonymous follower proposed the specific expedient of a tax on wages. Manley contented himself with stating in general terms that the chief concern of England was to "subdue our wages";<sup>1</sup> and the anonymous writer recommended a rather drastic but indirect method to reduce wages.<sup>2</sup> But the theory, when once put forth, could not fail to draw attention to its obvious corollary. The demand for the use of the power of taxation as an instrumentality of social reform and the regulation of labor soon made its appearance—for the first time, perhaps—in the work of John Houghton.<sup>3</sup>

In the heading of the chapter devoted to this subject, Houghton lays down the principle "that this Kingdom will thrive more, and the Manufactors live better, and sell their Manufactures Cheaper when Provisions are Dear, than when Cheap."<sup>4</sup> His major premise is that "if there be of Food a Plenty, Laziness follows it."<sup>5</sup> When the workmen get high wages, they stop work and spend their earnings in debauchery. The ordinary laborer in England earns enough in three or four days' labor to support him the entire week.<sup>6</sup> If he had to pay

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structive to Trade, and hinders the consumption of our Manufactures by Foreigners."—*The Grand Concern of England explained; in several Proposals offered to the Consideration of the Parliament. By a Lover of his Country and Well-wisher to the Prosperity both of the King and Kingdoms.* London, 1673, p. 54.

<sup>1</sup> Usury at Six per Cent., p. 22.

<sup>2</sup> His plan is "to enjoyn all English men not to wear anything but what is of our own Growth and Manufactories; which will encrease a Consumption at home, and set those at work who now live idle, and by giving them full work, would bring down their wages."—*The Grand Concern*, p. 55.

<sup>3</sup> *A Collection of Letters for the Improvement of Husbandry and Trade.* By John Houghton, Fellow of the Royal Society. London, 1681. The passages quoted are found in the second volume, London, 1683.

<sup>4</sup> *Ibid.*, p. 174.

<sup>5</sup> *Ibid.*, p. 175.

<sup>6</sup> "When the Frame-work Knitters, or Makers of Silk-Stockings had a great Price for their Work, they have been observed seldom to work on Munday and Tuesdays, but to spend most of that time at the Ale-House and Nine-Pins ... The Weavers, 'tis common with them to be drunk on Munday, to have their Heads ach on Tuesday, and their Tools out of order on Wednesday. As for the Shoemakers, they'l rather be hang'd than not remember St. Crispin on Munday; and it commonly holds as long as

more for his provisions, he would work harder and produce more.<sup>1</sup> Thus dearness would, in the end, bring about industry and plenty. Houghton therefore proposes, in order to maintain this artificial dearness, not only an export bounty on corn, but an increase of the excise on beer, ale and spirits, as well as the imposition of an "Excise of a groat a pound on Wool."<sup>2</sup> The effect of this will be, he thinks, that the "meaner sort of People will not be diverted from better Employments"; but that "this part of their Provision will be dearer to them, and will oblige them to more Industry, whereby they will procure more Manufacture to sell cheaper."<sup>3</sup>

Petty himself, whose general theory on the incidence of taxation has already been explained,<sup>4</sup> in a subsequent treatise expressed views in substantial agreement with those of Houghton. He significantly heads the chapter in question "That some kind of Taxes and Publick Levies may rather increase than diminish the Wealth of the Kingdom."<sup>5</sup> He maintains that when the price of food is low, laborers can scarcely be procured at all,<sup>6</sup> and he accordingly recommends as extremely desirable a tax on the necessaries of life.<sup>7</sup>

The belief that an increased cost of living would be an incentive to industry is found in many of the writers of this period. Not all, however, desire to secure this artificial dearness through the medium of taxation. Thus, Sir William Temple thought that the troubles of Ireland could easily be remedied by "an Increase of People in the Country to such a degree as may make things necessary to Life dear, and

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they have a penny of Money or pennyworth of Credit."—*Ibid.* p. 177. His account of "most other Professions that live by Labour" is equally delectable.

<sup>1</sup> "If by the Dearness aforesaid the Manufactors cannot keep up their habitual Port by working three days in a Week, they will work four days, or find out Engines or new Contrivances equivalent."—*Ibid.*, p. 181.

<sup>2</sup> *Ibid.*, p. 183.

<sup>3</sup> A Collection of Letters for the Improvement of Husbandry and Trade, p. 184.

<sup>4</sup> Above, p. 18.

<sup>5</sup> *Political Arithmetick*. By Sir William Petty. London, 1690, chap. ii.

<sup>6</sup> "It is observed by Clothiers and others, who employ great numbers of poor people, that when Corn is extremely plentiful, that the Labour of the poor is proportionably dear: And scarce to be had at all (so licentious are they who labour only to eat, or rather to drink)."—*Ibid.*, p. 45.

<sup>7</sup> Petty joins to this the further recommendation that in times of plenty the surplus food be sent to "publick Store-houses."

thereby force general industry from each Member of a Family (Women as well as Men)."<sup>1</sup> In the same way another writer, soon after, sought to prove that "Labour is always dearest when Provisions are cheapest,"<sup>2</sup> and that an increase in the price of necessaries will not injure the laborer, or increase the cost to the producer.

The general doctrine that taxes really conduce to thrift was, however, made more or less popular in England toward the end of the seventeenth century, by appeals to the experience of England's great rival,—the Low Countries. Not only did authors, like Temple,<sup>3</sup> continually call attention to the Dutch, but ample testimony to the great benefits supposed to result from the excise was found in the works of the Dutch writers themselves, whose ideas were made accessible to the English public through translation. Thus, the author of the celebrated *Political Maxims*, who was always, but erroneously<sup>4</sup> supposed in England to have been the renowned Dutch statesman, John De Witt, advocates the imposition of excises on the laborers, because "it

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<sup>1</sup> *An Essay upon the Advancement of Trade in Ireland*. By Sir William Temple. Published in his *Miscellanea*, ed. 1693, part i, p. 116.

<sup>2</sup> *Some Thoughts on the Interest of Money in General, and particularly in the Publick Funds. With Reasons for fixing the same at a lower Rate, with Regard especially to the Landholders*. London, n.d. (published between 1728 and 1740). His argument is that " People in low Life, who work only for their daily Bread, if they can get it by three Days Work in a Week, will many of them make Holiday the other three, or set their own Price on their Labour." p. 73.

<sup>3</sup> The following passage from Temple was much talked about: "The chief Fonds out of which this (Revenue) rises is the Excise and the Customs: The first is great and so general, that I have heard it observ'd at Amsterdam, that when in a Tavern, a certain Dish of Fish is eaten with the usual Sauce, above thirty several Excises are paid, for what is necessary to that small service."—*Observations upon the United Provinces of the Netherlands*, chap. vii; reprinted in *The Works of Sir William Temple*, Bart. London, 1720, i, pp. 70, 71.

<sup>4</sup> *The True Interest and Political Maxims of the Republick of Holland and West Friesland*. Written by John De Witt and other great Men in Holland. London, 1702. The original Dutch edition was published anonymously in 1662. The real author was Pieter De la Court. De Witt did indeed write one or two chapters, but not the ones in question. We now know precisely what he did write. Cf. Laspeyres, *Geschichte der volkwirtschaftlichen Anschauungen der Niederländer und ihrer Literatur zur Zeit der Republik*. 1863, pp. 18, 19.

is evident that all the said ways for raising of Money will excite the Commonalty to Ingenuity, Diligence and Frugality."<sup>1</sup>

This doctrine of the value of low wages continued far into the eighteenth century. One of its prominent advocates toward the middle of the century was the celebrated Josiah Tucker. Tucker turns his attention to "the lower Class of People" and holds that if they "are subject to little or no Controll, they will run into Vice: Vice is attended with Expence, which must be supported either by an high Price for their Labour, or by Methods still more destructive."<sup>2</sup> In England "the men are as bad as can be described: who become more vitious, more indigent and idle, in proportion to the advance of Wages and the Cheapness of Provisions."<sup>3</sup> Tucker then proceeds to discuss the plan of a "certain very ingenious Gentleman, and himself a great Manufacturer in the Clothing Way" to impose a special tax on the necessaries of life. This gentleman had observed "that in exceeding dear Years when Corn and Provisions are at an extravagant Price, then the Work is best and cheapest done:—but that in cheap Years, the Manufacturers are idle, Wages high, and Work ill done." "Therefore," adds Tucker, "he infers, that the high Duties, Taxes and Excises upon the Necessaries of Life are so far from being a Disadvantage to Trade ... that they are eventually the chief Support of it:—and ought to be higher still, in order to oblige the Poor either to Work or Starve."<sup>4</sup>

Tucker observes that "Some Things may certainly be said in favour of this Scheme." But on mature reflection he is, as "an humane and compassionate man," a little doubtful about it,<sup>5</sup> and thinks that

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<sup>1</sup> *The True Interest*, p. 109. In *An Essay on Trade and Commerce*, mentioned below, p. 37, note 2, the maxim is quoted on p. 49 in a little different language, and ascribed to De Witt. The erroneous ascription is also followed in Arthur Young, *The Farmer's Letters* p. 29, and in Schulze-Gavernitz, *Der Grossbetrieb*, p. 3.

<sup>2</sup> *A Brief Essay on the Advantages and Disadvantages which respectively attend France and Great Britain, with Regard to Trade*, etc. By Josiah Tucker. 2d ed., London, 1750, p. 36. The third edition of 1753 is reprinted in Lord Overstone's Select Collection of Scarce and Valuable Tracts on Conwierce, 1859.

<sup>3</sup> *Ibid.*, p. 37

<sup>4</sup> *Ibid.*, p. 54.

<sup>5</sup> He even speaks of it as "a very singular scheme."

his alternative plans of encouraging immigration<sup>1</sup> and of raising the pecuniary limit of the elective franchise<sup>2</sup> may produce the same results and "keep down the Price of Labour and prevent any Combination." As a result of this "perhaps the morals of our Poor would be as unexceptionable and the Price of Labour as cheap as in any other trading country." Later, indeed, Tucker changed his opinions still further; for he not only became an advocate of a direct tax on luxuries,<sup>3</sup> but finally abandoned his whole contention as to the efficacy of low wages.<sup>4</sup>

The doctrine that wages do not rise with the price of provisions was also developed by several writers who objected to the restrictions on the exportation of wheat. They did not deny that prices would rise, but contended that high prices of food would mean more work rather than higher wages. Arthur Young, for example, not only states that "in no instance will you find that labour is high, because provisions are the same,"<sup>5</sup> but he adds that "living must be rendered dear before that general industry, which can alone support a manufacturing people, will be rooted amongst them."<sup>6</sup> "High taxes," he continues, "must have operated to render high rates of labour neces-

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<sup>1</sup> The advantage of his "Naturalization" scheme is supposed to be "that by this means, the Price of Labour is continually beat down, Combinations of Journeymen against their Masters are prevented, Industry is encouraged and an Emulation excited."—*Ibid.*, p. 42. Cf. p. 91.

<sup>2</sup> As a consequence of raising the elective franchise to £200 for tradesmen, "the privilege of voting would become a laudable Inducement to every Artificer (not to get Drunk, or take a paltry Bribe, as at present is the case) but to be frugal and saving ... The Number also of the Poor would consequently be lessened: the Price of Labour reduced."—*A Brief Essay*, pp. 52, 53.

<sup>3</sup> See below, p. 58.

<sup>4</sup> See below, p. 45.

<sup>5</sup> *The Expediency of a Free Exportation of Corn at this Time: with Some Observations on the Bounty*. By the author of the *Farmer's Letters to the People of England*. London, 2d ed., 1770, p. 21.

<sup>6</sup> *Ibid.*, p. 28. The same ideas are expressed by Young in other works. So in *The Farmer's Letters to the People of England*, London, 1767, pp. 27-32, where he quotes approvingly the tract mentioned in the next note. So also in his *Political Arithmetic, containing Observations on the Present State of Great Britain and the Principles of her Policy in the Encouragement of Agriculture*, London, 1774, where he quotes Houghton's maxim that it is a good thing "to encourage the people to a high living." Young comments on this by saying: "The idea of encouraging the people to live high, is a very bold, but I believe a just one."—*Ibid.*, pp. 110, 111.

sary ... in those countries where manufactures make the greatest shoots."

The most complete development of the doctrine that excises are a benefit to the laborers is found in the anonymous work of Temple, who wrote shortly before Adam Smith. A riot of the workingmen in London, due to a combination of high prices of food and a lack of work, took place in 1765. This led our author to publish a tract, in which he attempted to prove that high prices were beneficial to the laborers in that it stimulated their industry.<sup>1</sup> Five years later this tract was rewritten and published as a portly volume. In it he advances "the paradox that taxes tend to lower the price of labour," and states as a familiar truth that "when provisions are cheap, labour is always relatively dear." The three self-evident principles on which the whole work rests are summarized as follows: "First, that mankind, in general, are naturally inclined to ease and indolence, and that nothing but absolute necessity will enforce labour and industry. Secondly, that our poor, in general, work only for the bare necessities of life, or for the means of a low debauch; which, when obtained, they cease to labour till roused again by necessity. Thirdly, that it is best for themselves, as well as for society, that they should be constantly employed."<sup>2</sup>

Temple argues that as laborers are far more anxious to work when provisions are very dear, the augmented supply of labor at such times brings down the rate of wages. "A general industry is immediately

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<sup>1</sup> The title of this tract clearly explains its purpose: *Considerations on Taxes, as they are supposed to affect the Price of Labour in our Manufactures: also, some Reflections on the General Behaviour and Disposition of the Manufacturing Populace of this Kingdom; showing, by Arguments drawn from Experience, that nothing but Necessity will enforce Labour; and that no State ever did, or ever can make any considerable Figure in Trade, where the Necessaries of Life are at a low Price.* London, 1765, esp. pp. 29-31. Cunningham, *Growth of English Industry and Commerce in Modern Times*, p. 560, ascribes it to Temple. This "William Temple was originally a clothier of Trowbridge, and must not be confounded with Sir William Temple, who entertained much the same views, but who wrote in the preceding century. See above, p. 33.

<sup>2</sup> *An Essay on Trade and Commerce: Containing Observations on Taxes, as they are supposed to affect the Price of Labour in our Manufactories: together with some interesting Reflections on the Importance of our Trade to America.* By the author of *Considerations on Taxes.* London, 1770.

created; workmen croud about the houses of master-manufacturers, begging for work, almost at any rate; and they work five or six days in the week instead of three or four. Labour being a kind of commodity, the quantity then offered tends to the lowering its price; and would do so, unless art or violence intervened. Thus far the paradox is explained by experience; and thus far it is proved, that dearness of provisions tends to lower the price of labour in manufactories."<sup>1</sup> Temple then proceeds to prove the other side of the same proposition, that low prices of food lead to high wages and dear work. The experience of Holland, as usual, furnishes him with his strongest illustrations. He does not, indeed, go so far as to recommend any further increase of taxes on the laborer.<sup>2</sup> But he is at considerable pains to point out that the taxes thus far levied on the necessaries of life, whether in the shape of excises or of impost duties, have exerted none but a good influence on the laborers in particular and on the community in general.<sup>3</sup>

While the fullest exposition of this doctrine is found in the book just mentioned, the strongest and most aphoristic expression of the idea is contained in another work of William Temple,<sup>4</sup> with an extract from which our series of quotations may fitly close. Temple contends that "the only way to make the poor temperate and industrious, is to lay them under a necessity of labouring all the time they can spare from meals and sleep, in order to procure the common necessaries of life."<sup>5</sup> And after adverting to the experience of Hol-

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<sup>1</sup> *An Essay on Trade and Commerce*, p. 16.

<sup>2</sup> *Ibid.*, pp. 282-286.

<sup>3</sup> "Of what infinite consequence then is it," he exclaims in another place, "that some method should be found out to enforce labour, and to procure habits of sobriety and industry among the manufacturing populace."—*Ibid.*, p. 31. Cf. also pp. 22 et seq. of the original tract of 1765.

<sup>4</sup> *A Vindication of Commerce and the Arts, proving that they are the Source of the Greatness, Power, Riches and Populousness of a State*. By I. B., M.D. [William Temple]. London, 1758. The tract has been reprinted in Lord Overstone's *Select Collection of Scarce and Valuable Tracts on Commerce*. London, 1859.

<sup>5</sup> Overstone's *Select Collection*, p. 534.



writers.<sup>1</sup> He even goes so far as to speak about excises as conducing to thrift.<sup>2</sup> So that Child can scarcely be considered an opponent of the older theory so far as concerns its application to finance.

The clearest of the early writers to prove the economy of high wages was John Gary, whose views on another point have already been mentioned.<sup>3</sup> Gary puts the problem as follows: "Whether the Price of Labour discourages our Manufactures or hinders Improvements in our Product?" He solves the problem by stating "that both our Product and Manufactures may be carried on to advantage without running down the labour of the Poor." He then proceeds to state his argument under two heads. First, as regards the productions of the soil, says Gary, it should be remembered that nominal wages must vary with the price of food.<sup>4</sup> Therefore a reduction of wages implies a lowering of prices; and lower prices involve a diminution in the value of land. "You cannot fall Wages unless you fall Product, and if you fall Product, you must necessarily fall Land."<sup>5</sup> Secondly, as regards manufactured articles, he continues, people have only to

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<sup>1</sup> "The Poor live better in the dearest Countries for Provisions, than in the cheapest, and better in a dear year than in a cheap, (especially in relation to the Publique Good), for that in a cheap year they will not work two days in a week; their humour being such, that they will not provide for a hard time; but just work so much and no more, as may maintain them in that mean condition to which they have been accustomed." This passage was first printed in Child's earlier work: *Brief Observations concerning Trade and Interest of Money*. By J. C. London, 1668, p. 11. It is reproduced in the *Discourse about Trade*, on p. 19 of the portion entitled "A Discourse concerning Trade." It also appears in the later editions.

<sup>2</sup> "The Abatement of Interest conjoyn't with Excises upon our home consumption are two of the most comprehensive and effectual Sumptuary Laws that ever were established, and most necessitating and engaging any People to thriftiness, the high Road to Riches."—*A Discourse about Trade*, p. 27 of the part entitled "Trade and Interest of Money considered." It was probably these passages that caused Arthur Young in his *Farmer's Letters*, p. 29, to mention Child as having "concur'd in the same observations" that he made. See above, p. 36.

<sup>3</sup> See above, p. 26.

<sup>4</sup> "As for the first, our Product, I am of opinion that the running down the Labour of the Poor is no advantage to it, nor is it to the Interest of England to do it, nor can the People of England live on such low Wages as they do in other Countries; for we must consider that Wages must bear a Rate in all Nations according to the prices of Provisions."—*An Essay on the State of England*, etc. By John Gary. Bristol, 1695, p. 144.

<sup>5</sup> *An Essay on the State of England*, p. 145.

look at them, to see that prices have been continually falling without any corresponding decrease in wages.<sup>1</sup> "But then the question will be, how this is done? I answer. It proceeds from the Ingenuity of the Manufacturer, and the Improvements he makes in his ways of working." He then proceeds to show how machinery effects this result,<sup>2</sup> and concludes that "New Projections are every day set on foot to render the making of our Manufactures easie, which are made Cheap by the Heads of the Manufacturers, not by falling the Price of poor Peoples Labour."<sup>3</sup>

Although this most suggestive passage shows how old are some of the most modern views on industry, for some time comparatively little application of them was made to problems of taxation. We do, indeed, find in the ensuing decades some incidental allusions to the impolicy of taxing wages. Thus, one interesting writer states that "the labour of the meaner sort of people is of too great consequence to a trading Nation to be any way slighted or disregarded."<sup>4</sup> A few years later, Nugent states emphatically: "one thing is certain, that no good can be produced by taxes upon commodities. They may starve the

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<sup>1</sup> "Observation, or Experience of what hath been done, we have and daily do see that it is so; the Refiners of Sugar lately sold for Six Pence per Pound what yielded twenty Years since Twelve Pence; the Distillers sell their Spirits for one third part of what they formerly did; Glass Bottles, Silk-Stockings and other Manufactures, (too many to be enumerated) are sold for half the Prices they were a few Years since, without falling the Labour of the Poor."—*Ibid.*

<sup>2</sup> "All which save the Labour of many Hands, so the Wages of those employed need not be lessened."—*Ibid.*, p. 146.

<sup>3</sup> *Ibid.*, p. 147.

<sup>4</sup> This pamphleteer was opposed to the employment of foreigners. After showing the advantages of employing home workmen, he proceeds: "and since the very meanest under-workers in Wool contribute in some measure towards the support of the State, and the movement of the great wheels of Trade; it seems a peculiar hardship upon them, as well as inconsistency in the management of affairs here, first to put them under a necessity of raising their Wages, by taxing many of the necessities of life; and afterwards to make the dearness of their labour, occasion'd by those Taxes, the very ground and reason of discouraging, or declining to make use of English hands, and of employing foreign (as in this view we must account Irish) hands in their stead."—*The Grasiere's Complaint and Petition for Redress; or the Necessity of Restraining Irish Wool and Yarn; and of Raising and Supporting the Price of Wool of the Growth of Great Britain considered.* By a Lincolnshire Grasier. London, 1726, pp. 44, 45.

industrious, but they never will induce the idle and extravagant to labour and to save."<sup>1</sup> In the second quarter of the eighteenth century, however, a more vigorous attack was made on the premises as well as on the conclusions of the partisans of the excise.

Among the most important of these writers was Vanderlint. At first sight, he seems to maintain that prosperity can be attained only through a reduction of wages.<sup>2</sup> Yet, notwithstanding the fact that he demands an abolition of taxes on necessaries for this reason,<sup>3</sup> Vanderlint is in reality a strenuous advocate of higher remuneration for the workman. The lowering of wages at which he aims is merely a seeming reduction due to the abolition of taxes and to an increase in the money supply. Prices, he thinks, will fall still more,<sup>4</sup> which of course means a relative rise in wages.<sup>5</sup> Vanderlint is, in fact, a strong believer in the theory that a high standard of life for the laboring population is much to be desired.<sup>6</sup> He is even the first writer to advance a doctrine that has only recently come into prominence—the doctrine that as the laborers form the mass of consumers, the large consumption which gives the impetus to profitable production and general prosperity itself depends on the purchasing power of the

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<sup>1</sup> *Considerations upon a Reduction of the Land Tax*. [By Robert Nugent.] London, 1749, p. 17.

<sup>2</sup> "Reducing the present Rates of Labour appears to me absolutely necessary to increase ... Trade."—Preface to *Money answers all Things: or, an Essay to make Money sufficiently Plentiful amongst all Ranks of People, and Increase our Foreign and Domestick Trade, Fill the Empty Houses with Inhabitants, Encourage the Marriage State, Lessen the Number of Hawkers and Pedlars, and in a great measure, prevent giving long Credit, and making bad Debts in Trade*. By Jacob Vanderlint. London, 1734.

<sup>3</sup> "I do verily believe that taking the Taxes intirely off the Things the working People consume is so absolutely needful, that Labour can hardly be reduced without it."—*Ibid.*, p. 159.

<sup>4</sup> This is shown, among other things, by the title of the work. It was this grievous error about money which served to consign the book to oblivion, notwithstanding its many good points.

<sup>5</sup> *Ibid.*, pp. 34, 69, and esp. 86, 87.

<sup>6</sup> Among the reasons advanced is that higher wages will conduce to better work: "The working People can and will do a great deal more Work than they do, if they were sufficiently encouraged. For I take it for a Maxim, that the People of no Class will ever want Industry, if they don't want Encouragement."—*Ibid.*, pp. 122, 123.

consumers,—that is, on the high wages and the high standard of life among the laborers.<sup>1</sup>

Twenty years later, Sir John Nickolls went to the root of the matter when he stated,<sup>2</sup> "We have flattered ourselves too much, if we have believed that on augmenting the taxes upon the consumption, we should bring our workmen to the sobriety, or frugality of a Frenchman, who lives, or rather starves, upon roots, chestnuts, bread and water; or to the thriftiness of a Dutchman, who contents himself with dried fish, and butter-milk. When our workmen can no longer raise the price of their work to their mind, there still remain two great refuges to them from labor, the Parish and Robbing."<sup>3</sup>

The most popular exponent of the newer doctrine was Postlethwayt. In a passage which is practically a plagiarism of the one just quoted from Nickolls, Postlethwayt objects to taxes on the mass of consumers.<sup>4</sup> It is true, indeed, he says, that wages are fixed by the price of food.<sup>5</sup> But the increase of wages due to a tax will increase, not decrease, the cost of production, and will put the country at a disadvantage in competition with foreigners. The result will be the ruin of the whole community, of course including the laboring class. An artificial rise in wages through taxation, in his opinion, gives "superaddition of value" to the country's products, which can only be

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<sup>1</sup> He objects to any scheme for "making the Poor fare harder, or consume less than their reasonable Wants in that Station require; for they, being the Bulk of Mankind, would in this Case affect the Consumption of Things in general so mightily, that there would be a Want of Trade and Business amongst the other Part of the People."—*Ibid.*, p. 69, note. (In reality this should be page 61, as the headings of pp. 65-72 are printed twice by mistake.) cf. p. 81.

<sup>2</sup> *Remarks on the Advantages and Disadvantages of France and of Great Britain with Respect to Commerce.* 1754. See above, p. 29, note 1.

<sup>3</sup> *Ibid.*, pp. 261, 162.

<sup>4</sup> "Augmenting Taxes on our Consumption, has not brought our Workmen to the Sobriety or Frugality of a Frenchman or to the Thriftiness of a Dutchman: and when our Workmen cannot raise the Price of their Labor and Workmanship to the Degree they would, they have recourse to the Parish or Robbery."—*Great Britain's True System.* By Malachy Postlethwayt, Esq. London, 1757, p. 160. For the full title, see below, p. 62.

<sup>5</sup> "Where Food and Cloathing, the Necessaries for a Day, are purchased for a little, there Wages will be low, or Labor Cheap."—*Great Britain's True System*, p. 144.

harmful to all concerned.<sup>1</sup> But, as he points out in another work, high wages and leisure for the workman, when created by natural causes, are the surest guarantee of good work and bountiful production.<sup>2</sup> Massie, another popular writer of the same period, expressed a similar conclusion very forcibly in the title of a work designed to prove that the excise would be a "pinchbelly tax" to the workingmen.<sup>3</sup>

The point could not have been put more plainly than by Nathaniel Forster, who pours out the vial of his wrath upon those persons who have "the hardiness to assert that high taxes upon the necessaries of life contribute in their consequences even to the more plentiful production of them and that the poor will be industrious only in the degree that they are necessitous."<sup>4</sup> Forster terms this "a doctrine which avarice in private life has greedily seized, and has not failed to improve to its own purposes." "But it is a doctrine," he adds, "as false, as it is inhuman."<sup>5</sup> He proceeds to show that it is necessarily false; for, says he, if harder work means lower wages, taxes will lead not to industry, but to the reverse.<sup>6</sup>

This marked the turning-point in the controversy. Some authors, like Tucker, were now convinced that their previous views had been

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<sup>1</sup> "When the general Price of Labor soars above its natural Standard, and thereby an artificial Value is superadded to our Produce and Manufacture, beyond which our Rivals do, we must lose our Dominion in Trade; and our Ruin then cannot be far distant: and this Superaddition of Value to our Commodities arises solely from the *Modus* wherein our Taxes are laid and raised."—*Ibid.*, p. 158.

<sup>2</sup> *The Universal Dictionary of Trade and Commerce*. London, 1751, vol. i, Preliminary Discourse.

<sup>3</sup> *Reasons humbly offered against laying any further tax upon Malt or Beer, shewing that such a tax would not only cause great Losses to the Landholders of England, but be prejudicial to several branches of our Manufactures, and prove a pinchbelly Tax to some hundred thousand Families of Labouring People*. By J. Massie. London, 1760. For other views of Massie, see below, pp. 63, 64.

<sup>4</sup> *An Enquiry into the Causes of the Present High Price of Provisions. In Two Parts: I Of the General Causes of this Evil; II Of the Causes of it in some particular Instances*. [By Nathaniel Forster.] London, 1767, p. 49.

<sup>5</sup> *An Enquiry into the Causes of the Present High Price of Provisions*, p. 55.

<sup>6</sup> "If a man sees that the harder he labours, the higher he shall be taxed, or if he finds in private life that his wages are lowered in proportion to his industry, is it in nature that either of these circumstances should tend to increase his industry? They must always have a contrary effect, and will necessarily crush and extinguish it."—*Ibid.*, p. 58.

erroneous. Tucker, in fact, wrote a special tract designed to prove that countries where high wages are paid can successfully compete with those in which the rate of wages is low.<sup>1</sup> Higher wages, says he, do not necessarily imply greater cost of production, for the larger remuneration of the laborer is compensated by his greater skill. "Is it not much cheaper," asks Tucker, "to give 2s. 6d. a Day in the rich Country to the nimble and adroit Artist, than it is to give only 6d. in the poor one, to the tedious, awkward Bungler."<sup>2</sup> In the same way Schomberg expresses the newer theory in the statement that "labour in a country of low wages is comparatively dearer, than where wages are high."<sup>3</sup>

Thus we see that in the third quarter of the eighteenth century the belief that taxes on labor would benefit the community by acting as a spur to industry was seriously shaken. When this doubt was reinforced by the more general theory already discussed,<sup>4</sup> that taxes on the poor are a hardship for them, whatever be the result on the community at large, the day of complete confidence in the excise had gone by. The point to be emphasized is that the advocates, as well as the opponents of the excise,<sup>5</sup> agreed as to their theory of incidence; and that some defended, while others objected to, this system of the taxation of necessaries precisely because, in their opinion, it rested on the poor. Their general doctrine of incidence, in short, was that the excise rests on the mass of the consumers.

### **3. The Excise is shifted to the Landowners**

As compared with the writers discussed in the previous section, there were few who maintained that the incidence of the excise as such is on the landowner. There were, indeed, some influential thinkers who

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<sup>1</sup> *Four Tracts on Political and Commercial Subjects*. By Josiah Tucker, D.D. 2d ed., 1774. Tract I: "Whether a rich Country can stand a Competition with a poor Country (of equal natural Advantages) in raising of Provisions and Cheapness of Manufactures."

<sup>2</sup> *Ibid.*, p. 34.

<sup>3</sup> *Historical and Political Remarks upon the Tariff of the Commercial Treaty: With Preliminary Observations*. [By A. C. Schomberg.] London, 1787, pp. 156 et seq.

<sup>4</sup> See above, pp. 26-28.

<sup>5</sup> With the exception of Vanderlint, whose attitude is explained below, p. 76.

held that all taxes are shifted to the land.<sup>1</sup> But the special doctrine which singled out excises as the particular taxes that finally rest on land met with comparatively little support.

Probably the first writer to advance this theory was an anonymous pamphleteer of the last decade of the seventeenth century. He is concerned especially with "a Home-Excise upon things eatable and drinkable, and several other Merchandizes which are sold in the Market."<sup>2</sup> The ordinary statement that an excise, which he calls "a troublesome and slavish sort of Tax,"<sup>3</sup> rests on the consumer is declared by him to be an error. For example, the more the farmer has to pay for the commodities of his own consumption, says he, the less he will be able to pay as rent.<sup>4</sup> The farmers and the landowners, moreover, will be the only ones to suffer. For if a tax be imposed on some of the farmer's own products, as for instance on malt, he will have to bear the greater part or the whole of the tax, because otherwise there would be a considerable falling off in the demand and a consequent diminution of price. The brewers will be the real gainers, for they will get their raw material cheap and will sell the finished product at the old price.<sup>5</sup> The author, it thus appears, is not very clear in explaining why a tax would cause the price of manufactured articles to rise, but would have no such effect on agricultural products.

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<sup>1</sup> See below, pp. 71 et seq.

<sup>2</sup> *Some Considerations about the most proper Way of Raising Money in the Present Conjunction*. London, 1692, p. 15.

<sup>3</sup> *Ibid.*, p. 27.

<sup>4</sup> "The common argument for an Excise, That it will spare our Lands; is grounded upon a false Supposition: This is not a sparing our Lands, but a charging them for ever with double what is needful. The dearer the Farmer pays for his Commodities, the less Rent he will pay; and the less his Product yields him clear, accordingly he must value his Farm. The more (for example) is laid on Lead, the less will Woods and Oar yield; and so of other Commodities."—*Ibid.*, p. 28.

<sup>5</sup> "It is evident, this Tax will fall very hard everywhere upon the poor Farmers; and those who are best able to pay it, will be most spared: For example, if an Excise should be laid upon Malt, where will the Burden lye? The price of it will certainly sink in the Countrey, for want of Consumption, by reason of the new Imposition. The Brewers in great Cities and Towns ... will be the only Gainers, since they will buy their Malt cheap, and sell their drink as dear or dearer than before. And the poor Farmer will bear the loss."—*Ibid.*, p. 29.

Another writer of the same period makes the statement that "A General Excise upon Home Commodities is a real Land Tax, and will have the same Influence upon the Value of Lands and Rents, as that we call a Land Tax, or Monthly Assessment hath."<sup>1</sup> He is aware of the general principle that prices fall with the increase of supply;<sup>2</sup> but he thinks that the supply of commodities in England is so great that the market is at the mercy of the purchaser.<sup>3</sup> A tax on commodities, therefore, must fall on the producer or seller; and, since everything is a product of the land, a tax on products is a tax on land.<sup>4</sup>

At the time of the controversy over Walpole's excise scheme, we find the same views in a number of pamphlets designed to show the injurious consequences of the tax. Of these, the ablest are by Pulteney<sup>5</sup> and D'Anvers.<sup>6</sup> Few of these writers distinguish, in their discussions of the incidence of the tax, between the landlord and the

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<sup>1</sup> *An Essay upon Taxes, calculated for the Present Juncture of Affairs in England*, London, 1693, p. 10. The copy in the possession of the present writer is ascribed by its former possessor, but probably without reason, to Sir William Temple.

<sup>2</sup> "If the Necessity of the Buyer be greater than the Seller, the Market will rise; but if that of the Seller be greater than the Buyer, the Price of Commodities must fall; and any Duty laid upon Commodities will lye upon either accordingly."—*Ibid.*, pp. 12-12.

<sup>3</sup> "But as to the present Case in England, I think that there is nothing more apparent, than the Plenty of Home Commodities, and the want of People to consume them ... the consequence of which necessarily will be, That whatever Duty is impos'd upon the Commodity, the Buyer will have it so much the cheaper."—*Ibid.*, p. 12.

<sup>4</sup> "A general Excise and a Land Tax differ not essentially, since both are a Duty upon the same Commodities, which are the Product of Land."—*An Essay upon Taxes*, etc., p. II. As the object of the author is to diminish the burden upon land, he therefore favors a general property tax. See below, p. 68.

<sup>5</sup> *The Case of the Revival of the Salt Duty fully stated and considered with some Remarks on the Present State of affairs, in answer to a late Pamphlet intituled a Letter to a Freeholder on the Reduction of the Land Tax to one Shilling in the Pound*. In a Letter from a Member of the House to a Gentleman in the Country. [By William Pulteney.] London, 1732. The author quotes Locke's statement that all taxes fall on land, but adds: "I could cite a great deal more to the same Purpose ... ; but I chuse to decline it, lest I should be represented as an Advocate for Land Taxes; whereas my great Desire is that our Taxes in general may be lessen'd."—p. 49. Cf his views as to the effect of taxes on necessaries and wages, p. 54.

<sup>6</sup> *An Argument against Excises, in several Essays lately published in the Craftsman, and now collected together*. By Caleb D'Anvers of Gray's Inn, Esq. London, 2d ed., 1733. See especially pp. 67 and 76.

farmer who rents the land. One writer, however, goes into the question a little more fully. He maintains that just as a land tax levied on the occupier or farmer is shifted to the owner of the land,<sup>1</sup> so an excise tax,—for instance on salt,—even though it reach the farmer, is ultimately paid by the landlord through a fall in rent.<sup>2</sup> Even assuming, however, that the excise is shifted to the poor consumer, he will not suffer in the long run. For if the excise takes the place of the land tax, the landlord will have more to spend "in Hospitality" as well as in the "Improvement of his Estates"; and the laborer will be the person to reap the benefit.<sup>3</sup> The honesty of our author's statements, as well as his logic, is, however, open to criticism; for while the other writers object to the excises because they affect the landed interest, he is strongly in favor of the scheme, while at the same time he is strenuously opposed to any increase in the land tax.<sup>4</sup>

#### 4. The Excise rests on the Traders

Our survey of the different views held as to the excise would not be complete without mentioning those writers who maintained that the tax was not shifted at all, but rested on the merchant who paid it first. This doctrine was put forward with especial emphasis at the time of Walpole's excise scheme by its opponents, who were desirous of marshalling every possible argument against the plan.

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<sup>1</sup> "Tho these Charges are paid immediately by the occupier, yet they fall ultimately on the Landlord; who is obliged on these accounts to let his Land so much the cheaper."—The Case of the Salt-Duty and Land-Tax offered to the Consideration of every Freeholder. London, 1732, p. 10.

<sup>2</sup> "It is a Tax that does not affect the Farmer, for he hires his Land the cheaper of his Landlord."—Ibid., p. 11.

<sup>3</sup> If the dealer pays the duty, he shifts it to the consumer. "Who then is the Sufferer. If anybody, it is the Labourer: but it will be found that he has no reason to complain."—Ibid., p. 13.

<sup>4</sup> The land tax he calls a "partial tax," for "every one knows that Personal Estates are seldom or never charged: for Money is of a transitory Nature; it shifts so often from Place to Place, and Person to Person, that 'tis impossible to know where, or in whose hands to charge it."—Ibid., p. 9. Furthermore, it is in his opinion very unequal in different parts of the Kingdom. Cf. p. 16. He proposes accordingly a freeing of the land, and thinks that "it might be done by laying a Tax, either on one or two Species of Commodities in common use, or on some favourite vanities of Mankind."—Ibid., p. 17.

One of the most vehement pamphleteers, for instance, objects to the "bondage merchants suffer," after exposing themselves to the dangers of the sea, and after paying import duties "by not being permitted to deliver their Goods after Sale without paying an imposed Penalty by Way of Excise."<sup>1</sup> The dealer, he contends, is thus made to suffer all manner of delay and inconvenience, and often loses the chance of a sale. He discusses, in picturesque language, nine objections to the excise,<sup>2</sup> and finds that it errs most grievously "by the disproportionableness and inequality of its Imposition, by laying the greatest Weight and Burthen on the Back of Trade, thereby utterly disheartening the most ingenious and industrious Party."<sup>3</sup> He is not weary of speaking of the tax as "that detestable and so often damned Imposition of Excise."<sup>4</sup> The vehemence of the writer's language in describing the nine inequalities of the excise is paralleled in English literature only by the author (who signs himself Thrasybulus) of a much later work which paints in lurid colors the thirty-three defects of the excise.<sup>5</sup>

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<sup>1</sup> "As if," he adds, "the Trade of a Merchant should now be looked upon as guilty of some high Crimination, and therefore fitting to be manacled and awed with the Bonds of slavish Restraint; ... as if those Goods which the Merchant hath purchased in foreign Parts, were not as properly his as the Gentlemens Houses and Lands."—*Excise anatomiz'd. Declaring that unequal Imposition of Excise to be the only Cause of the Ruin of Trade, the universal Impoverishment, and destructive to the liberties of the whole Nation.* By Z. G., A Well-wisher of the common good. London, 1733, p. 5.

<sup>2</sup> He speaks of the excisemen as those "who like ravenous wolves (using the Law of Excise for their Sheep's Cloathing) will not satisfy their insatiable Appetites with less than the greater Part (of the merchants' property)."—*Excise anatomized*, p. 6. He speaks of other officials as "those deformed Monsters of this Age, cloak'd with the Name of Farmers of the Excise, whose insolent Vileness, and exhausting Oppressions, transcends all former Ages."—*Ibid.*, p. 9.

<sup>3</sup> *Ibid.*, p. 4. "The Merchant and Trader," he adds elsewhere, "stands in as much Fear of the Excise-Man, as the Welsh Traveller did of his Host, when being at Supper, and finding amongst his Eggs, one with a chick in it, hastily supp'd it up, for fear, lest his Host seeing it, might make him pay a Groat for it."—*Ibid.*, p. 9.

<sup>4</sup> *Ibid.*, p. 19. As its consequence "all our former flourishing Tranquility is become a Skeleton of Dry Bones."—p. 11.

<sup>5</sup> Cf. Six letters on Excise., and particularly on the Act passed in 1789, for subjecting the Manufactures of and Dealers in Tobacco and Snuff to the Laws of Excise. London, 1790. From the ninety-two pages of invective the following may be quoted as samples, although no attempt is here made to reproduce the reasoning. The

Another controversialist, D'Anvers, tried to cover two positions. He did not deny that excises were shifted to the consumer, but he contended that they hurt the trader as well. "Will this Gentleman pretend," he said, referring to an opponent, "that Taxes bring no Burthen, no Difficulty or Loss upon the Trader, by taking the Money immediately out of his Pocket, which He could otherwise employ to great Advantage, and giving a Check to the Circulation of his Trade."<sup>1</sup> D'Anvers laid down his general conclusion in the words "Taxes on Trade have already deprived us of some valuable Branches of it."<sup>2</sup>

It may be queried, however, whether D'Anvers really meant anything more than that taxes on trade are frequently injurious to the general interests of commerce—an opinion, common enough in the writings of the seventeenth century, which can be found well expressed in the celebrated work of Lewes Roberts.<sup>3</sup> But the more pre-

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proposition for the excise is "dangerous, oppressive and unconstitutional," "alarming," "subversive of freedom," "fraught with impolicy," "inconsistent with political wisdom and equity," "pregnant with danger," "replete with blindest folly and indiscretion," "of essential injury to piety and religion," "perpetually inimical to happiness," "a glaring violation of sacred principles," "impervious in its spirit and troublesome in its operation," "conspicuous for inhumanity," "a source of great mortification and irretrievable disadvantage," "an unparalleled oppression," "unjustly rigorous and meanly ensnaring," "in an eminent degree ridiculous and contemptible," "totally inadmissible," "precipitate and unnecessary," "utterly inexpedient," "fundamentally improper," "in no measure adequate to the end proposed," "rash and impolitic," "essentially hostile to the fair trade," and "permanently disadvantageous to the revenue." See esp. pp. 1-22.

<sup>1</sup> He adds: "It is the Plenty, or Scarcity of any Commodity, in Proportion to its Vent and Demand, which must always rule in these Cases, and by which the Trader will make more or less Profit in his Dealings."—*The Second Part of an Argument against Excises; in answer to the Objections of several Writers*. By Caleb D'Anvers of Gray's Inn, Esq. London, 1733, p. 19.

<sup>2</sup> *Ibid.*, p. 20. See also p. 41.

<sup>3</sup> "When the customes upon Merchants goods is small, it easily draweth all nations to trade with them; and contrariwise, where great impositions are laid upon Merchants goods the traffike of the place, will be seen soone to decay, to the prejudice of that place and Kingdom."—*The Treasure of Traffike, or a Discourse of Forraigne Trade. Wherein is shewed the benefit and commoditie arising to a Common- Wealth or Kingdome, by the skilfull Merchant, and by a well ordered Commerce and regular Traffike*. By Lewes Roberts, Merchant and Captaine of the City of London. London, 1641, p. 61.

cise question as to the exact incidence of taxes on trade was more fully discussed in connection with the duties laid on colonial sugar. It may be interesting to mention a few of these writers, all of whom maintain that the tax rests on the seller or sugar-planter.

The clear-headed author of one seventeenth-century tract declares the assertion that the new sugar duty will be paid by the buyer " a meer Mockery." For, "if an Impost be laid upon the Sugar, whoever pays it the Planter is sure to bear it. What avails it though the Buyer pays the Duty, if the Seller must presently allow it in the Price,"<sup>1</sup> Where the price of the article is practically fixed, he adds, as in the case of beer, the brewer can easily add the tax to the price. But where "the Price is uncertain, and a Bargain is to be driven, and a Duty yet to be paid," the matter is very different. For competition will compel the seller to take less.<sup>2</sup> The general principle, he thinks, can be put as follows: "Tis not Impositions, but Plenty and Scarcity, that rules the Market. And it is found by constant Experience, that where an Impost is laid upon a Commodity in demand, there the Buyer may be brought to bear some part of it. But if the Market be glutted, and the Commodity be a Drug (as Ours is, and for ever will be); in this case the Buyer will bear no part of the Duty, but the Seller must pay it all."<sup>3</sup>

In the fourth decade of the eighteenth century, the project of a new duty on sugar led to a reconsideration of the question. A number of writers now contended that the sugar duty would be borne by the seller. To the extent that the seller happened to be the planter, the theory would be equivalent to the one discussed in the last section—the theory, namely, that the landowner would bear the burden. For in this case the sugar planter would be at once the landowner and the

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<sup>1</sup> *The Groans of the Plantations: or, a true Account of their Grievous and Extreme Sufferings by the Heavy Impositions upon Sugar, and other Hardships, etc.* London, 1689 (reprinted 1698), p. 9.

<sup>2</sup> "Tis not the Appointment of Law, but the Agreement of the Parties that must decide the question. In our Case the Buyer will naturally be at this lock: If you clear the Duty, I will give you so much for a Hundred of your White Sugar; if I must pay it you must have seven Shillings less. Which is as broad as long.

"The Buyer, they say, must pay the Duty, but sure the Seller may pay it if he please. And he will please to pay it, rather then not sell his Sugar. If He will not, there are enow beside that will."—*Ibid.*, p. 9.

<sup>3</sup> *Ibid.*, p. 10

trader. Thus one pamphlet, written to prove that the duty rests on the sugar-planter, argues that the important consideration is the possible restriction of the supply. "Every one admits," says the author, "that Quantity and Vent give a Price to any Commodity; it is therefore to be considered in what Cases the Quantity can be commanded or ascertained, in proportion to the Vent, and in what Cases it cannot; for where it can, the Duties will lie on the Consumer; but where it cannot, it will evidently lie on the Producer or Maker as often as the Quantity exceeds the Vent."<sup>1</sup> He then proceeds to show by specific figures that in the case of sugar the latter is true.<sup>2</sup> Another writer on the same subject lays down the general principle in similar language;<sup>3</sup> and John Ashley, who comes to a like conclusion, states that "Experience hath shewn, that all Duties laid upon Sugar affects the Producer more than the Consumer."<sup>4</sup> One of the last of the pamphleteers on this topic discusses the statement that the taxes will be shifted to the consumer, but urges in opposition that the price of sugar fluctuates according to the quantity imported into the marts of Europe, without reference to taxes imposed at any particular place.<sup>5</sup> Since it is far more difficult in the case of sugar than in that of other com-

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<sup>1</sup> *The Axe (once more) Laid to the Root of the Tree*. Published for the universal Benefit of Mankind and dedicated to the Landholders of the British Dominions. By a Friend to Truth and the Christian Religion. London, 1743, pp. 1-2 of A Supplement on Taxes in General on British Sugar.

<sup>2</sup> *Ibid.*, pp. 9 and 21 of the *Supplement*.

<sup>3</sup> "The Seller of a necessary Commodity can oblige the Buyer to pay it's Taxes, in case the Quantity at Market is only equal to the Vent or Demand. On the contrary, when the Quantity at Market much exceeds the Vent or Demand, this is absolutely out of the Seller's Power; for the Plenty will influence, and keep down the Price, in spite of his utmost Endeavours."—*Considerations against laying any New Duty upon Sugar, wherein is particularly shewn. That a New Imposition will be ruinous to the Sugar Colonies*. London, 1744, p. 7.

<sup>4</sup> *The Second Part of Memoirs and Considerations concerning the Trade and Revenues of the British Colonies in America*. By John Ashley, Esq. London, 1743. P. 79.

<sup>5</sup> "Thus it appears that the Price of Sugar fluctuates according to the Quantity imported into Europe, without any regard to any advanced Duties."—*The State of the Sugar Trade; shewing the Dangerous Consequences that must attend any additional Duty thereon*. London, 1747, p. 4.

modities to apportion the supply to the demand, he thinks the net result will be that the taxes will finally fall on the planter.<sup>1</sup>

Reviewing the authors treated in this chapter, we see that the discussion of the excise called forth almost every conceivable theory as to its incidence. Some thought that the tax was not shifted at all, some maintained that it was shifted to the landowner, some believed that it was shifted to the consumer, and some contended that it was again shifted by these to the employers of labor. These views were advanced with all degrees of confidence—but, with few exceptions, with little grasp of fundamental economic principles. Among the assertions and proofs, however, we found here and there some interesting premonitions of modern theories. Although we cannot speak of any unanimous or authoritative doctrine, the better opinion, as we have seen, and the one which gradually gained an ever-increasing number of adherents, was that the excise tends to be shifted to the consumer, and that it augments the burdens resting on the mass of the laborers. In this way scientific opinion gradually came to harmonize with the popular view.

## **CHAPTER II—Those who favor a Single Tax on luxuries**

As we have already seen, confidence in the general excise—in the sense of a tax on the producer or dealer,—which was deemed by the great mass of writers to be an indirect tax on the consumer, gradually weakened during the eighteenth century. Partly because it was no longer deemed equitable that the poorer consumers should bear the burden, partly because it was supposed that these taxes were prejudicial to trade, the idea of an indirect tax on consumption in general was now replaced by that of a direct tax on certain particular kinds of expenditure. Instead of levying a tax in first instance on the producer or dealer, it was now proposed to lay one directly on the consumer;

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<sup>1</sup> "Nor can the Quantity be proportioned or ascertain'd according to the Demand, as in the Case of many other Commodities, from the great Charge in settling a Sugar-Plantation, the long growth of the Sugar Cane, the uncertain Produce, and many other Reasons." His conclusion thus is that "the Price of Sugar is govern'd by the Quantity and that the Duties lie on the Planters."—*The State of the Sugar Trade*, pp. 4, 6. Cf. p. 16. A similar argument may be found in *Reasons, grounded on Facts, shewing that a new Duty on Sugar must fall on the Planter, and that a new Duty will not certainly encrease the Revenue*. London, 1748.

and instead of making the general consumer bear the burden, it was planned to tax only the purchaser of certain luxuries. In short, in lieu of an indirect tax on necessaries, we now meet with the scheme of a direct tax.

The earliest inkling of such a plan is probably to be found in a seventeenth-century work of Chamberlayne. This writer gives all the details of a scheme which he sums up in the proposition that "upon all such Commodities as occasion either Excess or Luxury, Wantonness, Idleness, Pride or Corruption of Manners there may be laid a large and extraordinary Impost."<sup>1</sup> But from his reference to "the practice of neighbour Nations" it is not quite certain whether Chamberlayne is here speaking of a direct or an indirect tax on luxuries.

This doubt, however, does not exist in the case of another writer, toward the end of the century, who was careful to recommend taxes on commodities "payable by the Buyer" or "Consumptioner."<sup>2</sup> That he refers to luxuries appears clearly from his statement that, according to the scheme as elaborated in the monograph, "all Persons Tax themselves according to such Degrees as their Extravagancies shall prompt to exceed the Decent and Necessary Uses of them." The author discusses the objection that, as the purchaser is apt to be overreached anyway, the tax ought to be paid by the "seller who gets prophet."<sup>3</sup> His reply is threefold: first, if the goods are not sold, the dealer pays nothing; second, the seller is under no temptation to increase the price by more than the tax; third, there is less chance of

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<sup>1</sup> *Englands Wants or several Proposals probably Beneficial for England, humbly offered to the Consideration of all good Patriots in both Houses of Parliament. By a true Lover of his Country.* [Edward Chamberlayne,] London, 1667, p. 4.

<sup>2</sup> *To the Honourable the Knights, Citizens, and Burgesses of the House of Commons in Parliament assenbled. Proposals most humbly offered for Raising (in all Likelyhood) upwards of Five Millions of Money, without Charging the Poor, or Burthening the Rich, by such Ways and Means, that (for the greatest part thereof) the Payers will voluntarily Tax themselves.* [By J. M.] London, 1696, p. 1.

<sup>3</sup> "It may probably be objected, that 'twill be hard on the Buyer, who parts with his Money for anything herein named, to pay the Tax, when perhaps he may be out-reach'd in the price; therefore more reasonable to be paid by the seller who gets prophet."—*Ibid.*, pp. 4, 5.

evasion.<sup>1</sup> The tax, he concludes, rests where it is imposed, and cannot be shifted.

During the seventeenth century, these isolated proposals met with little support. It was not until shortly before the middle of the eighteenth century that the doctrine was put forward in so authoritative a manner as to command attention.

The plan of a single tax on luxuries was unfolded in an anonymous work,<sup>2</sup> the authorship of which is doubtful even to this day. By some it is ascribed to Richardson, by others to Decker, with the probabilities in favor of the former.<sup>3</sup> The author was careful to emphasize his opposition to general excise duties "because of the great

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<sup>1</sup> "The Answer hereunto is Obvious, if Consider'd, that first, none will be Burthen'd with Taxes for any Commodity, that lies on hand dead and unsold: Secondly the seller is debarr'd of any Just pretensions for Inhancing the price thereof, beyond the usual Value .... and Lastly, the Tax will more certainly be pay'd, for no seller will put himself at the Mercy of any Informing Buyer, since it comes not out of his, but the Buyers Pocket."—*Ibid.*, p. 5.

<sup>2</sup> *An Essay on the Causes of the Decline of the Foreign Trade, consequently of the Value of Lands of Britain and on the Means to Restore Both*. Begun in the Year 1739. London, 1744.

<sup>3</sup> For the grounds on which the authorship is ascribed to Decker rather than to Richardson, see the article in Palgrave's Dictionary of Political Economy, i, p. 519. To the authorities quoted there may be added the statements in Tucker, *A Brief Essay on Trade*, 1750, pp. 129-149; in Nickolls, *Remarks on the Advantages and Disadvantages*, etc. (quoted a few notes below), pp. 264 and 268; and in Arthur Young, *Political Arithmetic*, p. 244, in all of which it is also ascribed to Decker. Professor Conner, the author of the article in the Dictionary, states that the edition of 1749 bears Decker's name on the title-page. It is to be remarked, however, that the later (Edinburgh) edition of 1756 (a copy of which, together with one of the original edition, is in the possession of the present writer) is anonymous. The strongest argument against its ascription to Decker is that Decker is known to be the author of another tract of almost the same date advocating a single tax on houses (see below, pp. 60, 61), and that, in many works of the fifties and sixties, when Decker's scheme is mentioned at all, the reference is to the house tax. See especially below, pp. 62, 63. It seems improbable that two such different projects should have been advanced by the same writer, without making in the later work any reference at all to the plan of the former. Professor Cunningham is also of the opinion that Decker cannot be the author. See *The Growth of English Industry and Commerce in Modern Times*, 1892, p. 409, note 3. At the same time, it is to be noted that Arthur Young in his *Political Arithmetic* ascribes both works to Decker, and speaks (p. 214) of the tax on houses as Decker's "favorite scheme." Yet it was the earlier one, or at all events the one first published.

prejudice they do to trade." His plan was to lay "One Tax on the Consumers of Luxuries and take off all our other Taxes, Excises, and Customs."<sup>1</sup> He gave a catalogue of the few articles he wished to have taxed.<sup>2</sup> It goes without saying that, in his opinion, the tax would remain where it was put. "The greatest benefit of All," he added, "is that this Proposal hath not those extending, pernicious, Trade-destroying Consequences of our present Taxes; for it will not raise the Value of any one Commodity, but rather, by checking Luxury, the Bane of Virtue and Industry, we shall become a rich and flourishing People."<sup>3</sup>

An enthusiastic advocate of this scheme for a single tax is to be found in Josiah Tucker, who outlined the plan in an appendix to one of his important works.<sup>4</sup> Tucker's chief reason for the proposal is contained in his general principle that "it is just and reasonable each Person should pay in proportion to what he Uses of any Commodity: Now the most probable Grounds we can go upon (for the affair will not admit of Certainty and Demonstration) is, That Persons in general live in Proportion to the Figure they make."<sup>5</sup> Hence to tax a man according to his expenditures for luxuries constitutes the most equitable method of taxation. Another advocate of the scheme was Nickolls,<sup>6</sup> whose reasons for opposition to the general excise have already been mentioned.<sup>7</sup> After giving an interesting statement of his general

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<sup>1</sup> *An Essay*, etc., p. 44.

<sup>2</sup> Adam Smith, who refers to his "well known proposal " to tax " all commodities" (*Wealth of Nations*, book v, chap, ii; Rogers' ed. ii, p. 474), as well as Bastable (*Public Finance*, 2d ed., 1895, p. 318), who speaks of his "plan of a license for the consumption of commodities," are not quite exact. For the plan was not to tax "commodities" or "all commodities," but only certain "articles of luxury." One of the chief recommendations of the scheme to the author is that it will act as a "Sumptuary-Law to keep all People in their proper Stations."—*An Essay*, etc., p. 51.

<sup>3</sup> *An Essay*, etc., p. 52.

<sup>4</sup> *A Brief Essay on the Advantages and Disadvantages which respectively attend France and Great Britain with Regard to Trade*. The appendix is entitled *An Appendix containing a Plan for raising one only Tax on the Consumers of Luxuries*. [By Josiah Tucker.] London, 2d ed., 1750. See esp, pp. 123-135 and 145-166.

<sup>5</sup> *Ibid.*, p. 153.

<sup>6</sup> *Remarks on the Advantages and Disadvantages of France and Great Britain*, etc. [By Sir John Nickolls.] London, 1754.

<sup>7</sup> Above, p. 29, where the exact title is given.

philosophy of taxation,<sup>1</sup> he concludes that "a free tax bearing solely upon the different articles of luxury, and consumption (those of absolute necessity excepted) seems the properest to fulfill these intentions." He approves the scheme as developed by its original author,<sup>2</sup> and favors it especially because the amount spent on each class of luxuries may be regarded as a rough index of the income enjoyed and disposable for such a purpose.<sup>3</sup> Finally, among the other writers who favored this plan, which was soon adopted,—not, indeed, as a single tax, but as a supplement to existing taxes,—may be mentioned Forster, the determined opponent of all taxes on wages, and to a certain extent Postlethwayt.<sup>4</sup> With the incorporation of certain taxes on luxuries into the general scheme of the English revenue system, the discussion of the proposition soon ceased.

### CHAPTER III—Those who favor a Single Tax on Houses

The revenue reformers of the eighteenth century were fond of schemes for a single tax. Once granted that taxes on consumption rest on the consumer, and that it is wise to avoid the incidental interference, with trade which would result from taxes levied on the trader, it was but a step further to contend that a single tax on luxuries, which at all events necessitates a scrutiny into the luxurious expenditures, might be improved upon. By taking some one criterion of expenditure, which was not only universal but patent to all, the

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<sup>1</sup> "The consideration of the different taxes which constitute the Revenue of the State, and of the inconveniences of each, naturally leads a Patriot to the desire of finding the means of taxing all the articles which could, and ought to be made contribute, in the justest, easiest, equalest manner, to the Public charge; that is to say, of taxing every subject in proportion to the advantage he draws from Society: inso-much, that with respect to him who has no property, so far from depriving him of the hopes of acquiring any, the influence of the taxes should be no more than a gentle spur to his industry, and that it should fall reasonably, and not arbitrarily upon those who have some property, that is to say, in proportion to the real and personal estates they enjoy."—*Ibid.*, pp. 268, 269.

<sup>2</sup> Nickolls ascribes it to Decker.

<sup>3</sup> "He takes each of these articles for the sign of a fortune of such a certain revenue, upon which he is imposing a tax of three pence for every pound sterling."—*Ibid.*, p. 269.

<sup>4</sup> *An Enquiry into the Causes of the Present High Prices of Provisions*. [By Nathaniel Forster.] London, 1767. Part I, chap, iii, "Of Taxes," pp. 50-53. For the modified advocacy of Postlethwayt, see below, p. 62

same results might be reached with much less difficulty. The desired criterion, it was now suggested, was the building occupied. Instead of a general excise, it was proposed to lay a single tax on houses.

The chief advocate of this scheme was Sir Matthew Decker.<sup>1</sup> He starts out with the idea of a tax or license duty on the consumers of tea, to replace the tax on the importers or dealers. But, passing by this as a matter of minor importance, he proceeds to make the suggestion for a "general excise." This, he is careful to explain, differs entirely from what is generally associated with that name. His scheme, so he tells us, means only "one single Excise Duty, and that upon Houses."<sup>2</sup> He discusses its characteristics at great length, and states its chief merits as follows:

"All Duties being abolished, it would prevent all Manner of Running and hinder the Ruin of many Thousands of poor unhappy Creatures, which have been, or are still employed in the Smuggling Trade"; furthermore, "it would set the Merchant and Shopkeeper free from a Multitude of false and vexatious, or frivolous Informations, which may now be lodged against them"; and, above all, it would enable "the Merchant as well as Shop and Warehouse-Keeper to trade with Half the Stock, and make his Profit the same, or rather increase it."<sup>3</sup>

Everywhere we find the emphasis put on the interests of production and trade, because of the opinion that, in the long run, these interests are the important ones to be considered. This appears clearly from his views as to taxes on the workingmen. Although Decker, indeed, desires to exempt the houses "of the lowest and poorest Sort of People," he puts his demand on the express ground that "thereby their Labour might become so much the cheaper."<sup>4</sup> The

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<sup>1</sup> Serious Considerations on the several High Duties which the Nation in general {as well as its Trade in particular} labours under: with a Proposal for preventing the Running of Goods, discharging the Trader from any Search, and raising all the Publick Supplies by One Single Tax. By a Well-Wisher to the Good People of Great Britain. [Sir Matthew Decker.] London, 1743.

<sup>2</sup> Ibid., p. 15.

<sup>3</sup> Ibid., p. 23.

<sup>4</sup> "And the Goods," he adds, "which are the Produce of their Labour, might, by this Means, be sold at as low, or even a lower Rate than can be afforded by other Nations."—Ibid., p. 16.

incidence of taxes on necessities, therefore, according to Decker, is really on the employer, and not on the laborer. His general idea of favoring production and trade may be seen also from the close of his exposition, where he expresses the hope that it may be said of England, as formerly of Tyre, "that their Merchants are Princes and their Traffickers the Honourable of the Earth."<sup>1</sup>

Decker's project was greeted by a number of enthusiastic followers. Most of these preferred the single tax on houses to the general excise on the ground that the former would bear less heavily on the producer and the trader, since lower taxes on necessities would mean lower rates of wages. Thus, the author of an anonymous tract, in speaking of a new plan to be "substituted in the room of our present preposterous Method of Taxing," said that "a more advantageous Scheme, not altogether unlike that of Sir Matthew Decker's might be proposed, which would exempt the Laborious from every Tax; by which the landed Interest and all the useful Members of the Community would be considerable Gainers."<sup>2</sup> So also Postlethwayt held that an artificial rise of wages through taxes was injurious to the laborer as well as to the whole community, and put the query "Whether the Encrease of Taxes in our State do not all somehow ultimately terminate upon our Trade and Commerce."<sup>3</sup> To avoid this result he favored "One moderate and equal Tax upon Houses," or, as he puts it in another place, "some one general tax, either upon houses or otherwise."<sup>4</sup> Postlethwayt, it will be seen, was not quite sure in his mind as to the advisability of a single tax on houses; later he even suggested as an alternative the single tax on luxuries.<sup>5</sup> Another writer, Fauquier, with whose vigorous opposition to the excise we have already become acquainted, also approved Decker's scheme.

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<sup>1</sup> Ibid., p. 32.

<sup>2</sup> *The Case of the Five Millions fairly slated in regard to Taxes, Trade, Law, Lawyers, etc.* Addressed to the Guardians of our Liberty. London, 1758, p. 17.

<sup>3</sup> *Great Britains True System wherein is clearly shewn, That an Increase of the Public Debt and Taxes must, in a few Years, prove the Ruin of the Monied, the Trading and the Landed Interests etc. Humbly submitted to the Consideration of all the Great Men, In and Out of Power.* By Malachy Postlethwayt, Esq. London, 1757, p. 132.

<sup>4</sup> Ibid., pp. 130, 134.

<sup>5</sup> "A free tax, bearing solely upon the different articles of Luxury and Consumption (those of absolute Necessity excepted)."—(Ibid, p. 319. See above, p. 59.

His argument was simple. " Since the Consumer pays the whole of the Tax, it must be equal to him, when he maturely weighs it, how or on what it is laid. All that really concerns him, is that he should pay as little as the Exigencies of the State will admit of; and that the whole of what he does pay should, if possible, go clear of all Deductions into the Exchequer, to answer the Purposes for which it was levied."<sup>1</sup>

A few writers accepted the principle of this scheme, while desiring to modify it by substituting windows for houses. The earliest advocate of this single tax on windows, Horsley, advanced his scheme immediately after Decker had published his plan.<sup>2</sup> Horsley, it appears, cared more for the "singleness" of the tax than for anything else. "It seems to me no otherwise material," he tells us, "what you lay the Duty on, so it be a single Duty."<sup>3</sup> The same idea of "consolidating every imposition whatever," in order to "fix it altogether on windows," was advanced by another writer<sup>4</sup> a few decades later, when all single tax ideas had about gone out of fashion.

Decker's project for a single tax on houses soon met with determined opponents. Of these, the most prominent was Massie. In his earlier work, written to controvert the plan as set forth by Fauquier,<sup>5</sup> Massie disclosed only a moderate opposition.<sup>6</sup> But in the following

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<sup>1</sup> An Essay on Ways and Means, etc. By F. F. London, 1756, p. 22. For the full title of the work, see above, p. 1 7, note 7. Fauquier really approved of Decker's scheme, only with some modifications. See An Essay, p. 26. He even suggested a capitation tax as an alternative.—Ibid., p. 32; and more decidedly in the postscript to the second edition, published the same year.

<sup>2</sup> Serious Considerations on the High Duties examined: addressed to Sir Matthew Decker. By Mr. Horsley. London, 1744.

<sup>3</sup> Ibid., p. 32.

<sup>4</sup> *Considerations on the National Debt and nett Produce of the Revenue: with a Plan for consolidating into one Rate the Land and all other Taxes, by which More Money will be raised; Individuals not pay half the present Taxes; Smuggling altogether prevented; ... the poor exempted from every Contribution*, etc. By a Merchant of London. London, 1784. See esp. p. 31.

<sup>5</sup> *Observations upon Mr. Fauquier's Essay on Ways and Means for raising Money to support the present War without increasing the Public Debts*, etc. By J. M. [Joseph Massie]. London, 1756.

<sup>6</sup> He objects more to the amount to be raised, than to the manner of raising it.

year he turned his batteries in full force against Decker himself.<sup>1</sup> He specifies all kinds of objections upon which it is not necessary here to dilate, farther than to state that he condemns the single tax on houses as really "a Proposal to raise all the Public Supplies by one General Tax upon the Commodities and Manufactures of Great Britain." So far as the incidence of the tax is concerned, he believes that it will be shifted to the consumer; for, "whatever Money a Farmer, a Tradesman, or a Merchant pays for Taxes is, and must be repaid him in the Prices of the Commodities he deals in."<sup>2</sup> He favors the existing land tax because it finally falls on the landowner.<sup>3</sup> In respect to the incidence of the other taxes, he seems to revert to the old theory that "the Taxes of this Kingdom are so wisely laid, as to encourage Industry and good Husbandry, by discouraging their Opposites."<sup>4</sup>

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<sup>1</sup> *The Proposal, commonly called Sir Matthew Decker's Scheme for one General Tax upon Houses, laid open; and shewed to be a deep concerted Project to traduce the Wisdom of the Legislature; disquiet the Minds of the People; and ruin the Trade and Manufactures of Great Britain.* [By Joseph Massie.] London, 1757.

<sup>2</sup> *The Proposal*, p. 114. He adds in another passage: "They are, in reality, Factors between the Landholders and Consumers of Commodities; and every Man knows, that a Factor must be paid Commission for the Goods he sells, over and above all Taxes and other Charges."—*Ibid.*, p. 116.

<sup>3</sup> "The Land-Owners cannot sell or lett their Lands for more Money, because they pay this Tax out of their Rents; for a Buyer of Land considers what Money it will bring for his own use; and a Farmer of Land must consider what Prices his Corn, Cattle, Wool, Butter, Cheese, etc., will fetch at Market ... And as the Prices of these Commodities are, and necessarily must be governed by the Money that People in general can afford to pay for them (Years of Scarcity excepted), the Land-Tax must fall upon the Land-Owners."—*Ibid.*, p. 38. Cf. also p. 104.

<sup>4</sup> *Ibid.*, p. 68. That Massie set his face sternly against any further increase of taxation is shown by two interesting pamphlets, in which he has not a little to say about the question of incidence. See *Reasons humbly offered against laying any further British Duties on Wrought Silks of the Manufacture of Italy, the Kingdom of Naples and Sicily, or Holland: shewing the probable Ill Consequences of such a Measure in regard to the Landed Interest, Woollen Manufacturies, Silk Manufacturies, Fisheries, Wealth and Naval Power of Great Britain.* London, 1758. This contains a bibliography of Massie's writings up to that date. Cf. also his *Observations on the new Cyder-Tax, so far as the same may affect our Woollen Manufacturies, Newfoundland Fisheries, etc.* London, 1764. For Massie's attitude on the question of the shifting of taxes to the poor, see above, p. 44. In his two other important tracts on taxation, Massie rather neglects the subject of incidence. See his *Calculations of Taxes for a Family of Each Rank, Degree, or Class for one Year.* 1756. A reply to this was

Somewhat later Arthur Young also opposed Decker's scheme and the theory of incidence on which it was based. Taxes on houses, he thinks, force a man to pay not because he consumes, but because he possesses; the one [the excise or the tax on consumption] is a proof he is able to pay, the other [the tax on houses] no proof of it at all.<sup>1</sup> This is the last reference to the scheme, for with the introduction, shortly after, of the tax on inhabited houses by Lord North the agitation for a single tax of this kind came to an end.

#### CHAPTER IV—Those who favor a General Property Tax

By the close of the seventeenth century the old general property tax in England had become in fact what it soon became in name—a land tax.<sup>2</sup> There was not lacking then, as now, a group of writers who believed that the panacea for existing evils was to be found in the reimposition of a tax on the various kinds of personal property, and especially of intangible personalty. This belief most commonly took form in demands for a tax on moneys at interest, supplemented a little later by calls for a tax on the evidences of debt or on funds in general. All these demands were based on the theory that a tax on loans would fall on the lender.

The earliest formulation of such a demand is found in a work of the younger Culpeper.<sup>3</sup> Taxes on land, says he, fall on the landowner, while taxes on trade and luxury rest there and leave the usurer free.<sup>4</sup>

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made by Bouchier Cleeve, and a rejoinder by Massie in *A Letter to Bouchier Cleeve, Esq., concerning his Calculations of Taxes*. 1757

<sup>1</sup> *Political Arithmetic*. By Arthur Young. London, 1774, chap, iii, sec. i, esp. p. 214. During the revolutionary era in France a similar scheme for a single tax on houses was again advanced as an entirely novel idea. See *Plan de Revolution concernant les Finances, etc Découverte Consolante de l'Impôt Unique du Toise*. Par M. Blanc-Gilli, de Marseille. Paris, 1790. See esp. the *Supplement a la Découverte de l'Impôt du Toise*, pp. 78 et seq.

<sup>2</sup> See Seligman, *Essays in Taxation*, 2d ed., 1897, pp. 45~48.

<sup>3</sup> *The Necessity of Abating Usury re-asserted; in a Reply to the Discourse of Mr. Thomas Manley entituled, Usury at Six per Cent, examined, etc., together with a Familiar and inoffensive way propounded for the future Discovery of summes at Interest, that they may be charged with their equal shares of Publick Taxes and Burthens*, etc. By Sir Thomas Culpeper, Jun., Knight. London, 1670. For Manley's treatise, and his views on the question, see above, p. 31. For an earlier work of Culpeper, and his views, see above, p. 13.

<sup>4</sup> *Ibid.*, pp. 5-7.

Taxes on moneys at interest, however, would not only diminish the curse of usury, but since they fall on the lender, they would raise the value of land, which now bears far more than its proportion of taxes.<sup>1</sup>

Another writer, who entered more thoroughly into the difficulties connected with the problem of incidence, was not blind to the fact that in the ordinary course of events, a tax on interest tends to be shifted to the borrower. He believed, however, that this might be prevented by an act of Parliament, and that the tax might be enforced through a compulsory registration of all debts and mortgages.<sup>2</sup> In the same way, Davenant, who thought that "there is nothing too hard for the wisdom of a parliament to bring about," proposed a tax on "the usurers, who are the true drones of a commonwealth, living upon the honey without any labour."<sup>3</sup> This was, however, only a passing fancy of Davenant, whose fundamental theory of incidence was somewhat different.<sup>4</sup>

Other writers wished to include not only moneys at interest, but all kinds of personalty, to form a general property tax. Thus, one author,

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<sup>1</sup> "I cannot but with trouble reflect, that Land and Trade should so conspire to play the Usurers game against themselves, as by their discord all along they have done; The trader crying, tax Land, in Gods name, for that will bear it, trade cannot; And the Land-lord of late, spare Land, for Gods sake, it hath already been taxed to death; Taxe now our superfluous trade, and therein our luxury; Giving, it seems, the Usurer over to his Reprobate sense, and therefore freely permitting him to thrive in this World; But little, in the mean time, considering, that tillage and traffick lay in one belly the Earth, sayle in one bottom upon the Sea, and fear one Pyrate or vermine, the Usurer."—*Ibid.*, p. 15.

<sup>2</sup> *A Plain and Easie Way for the Speedy Raising of Money to supply their Majesties Present Occasions: which will also, very much tend to the Advancing the Value of Lands.* By a Divine of the Church of England. London, 1691. Cf. esp, pp. 12, 30, 31.

<sup>3</sup> These, he thinks, "should, of all people, be brought in to bear their proportion of the common burden." "As yet," he adds, "they could never be effectually reached but they may be fetched in by the wisdom of a parliament, if the house of commons would please resolutely to set themselves about it."—*An Essay upon Ways and Means of supplying the War.* [By Charles Davenant.] London, 1695. Reprinted in *Collected Works of Davenant*, edited by Whitworth. London, 1771. Cf. vol. i, p. 57 of the reprint.

<sup>4</sup> See below, p. 73.

who objected to the "sole Land-Taxes,"<sup>1</sup> demanded that "Sums at Interest with all other Liquid Revenues shall pay the Quota in a due proportion with our Land-Rents." This "due proportion," as he soon attempts to prove, is a considerably higher rate than that levied on land.<sup>2</sup> Two other writers of about the same date, whose views on the excise have already been mentioned,<sup>3</sup> were also heartily in favor of this scheme. The one thought that a tax on personalty joined to the tax on lands would form "a mixed and comprehensive Quota, or Tax upon all Abilities";<sup>4</sup> the other simply desired the reimposition of the "Subsidy or Pound Rate as the Ancient Methods of our Ancestors."<sup>5</sup> De Foe also, at the end of the century, objected not only to the taxes on the poor,<sup>6</sup> but to the inequality of the land tax,<sup>7</sup> which he thought might be remedied by assessing every one according to his stock of property<sup>8</sup>

A few years later the same scheme was propounded in a work written to advocate the taxation of annuities and of shares in the East India Company and in the Bank of England, as well as of moneys at

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<sup>1</sup> *A Letter from a Gentleman to his Friend, by way of Answer to one from Him, shewing the Present Expedient and Easiness of Equal Taxing.* [By R. S.] London, n.d. [about 1692], p. 10.###

<sup>2</sup> He demands that "all the Liquid-Rents be charged to pay either the double, or at least one Third part more than the Land-Rents, which are so sensibly liable to grievous endless Repairs, with abundance of other Charges, vast trouble oft-times in Managing, and by daily sad Experience, severe Casualties and Losses."—*A Letter from a Gentleman to his Friend*, p. 11.

<sup>3</sup> Above, pp. 22 and 47.

<sup>4</sup> *A Letter from a Gentleman in the Country to his Friend in the City: touching Sir William Pettis Posthumous Treatise entitled Verbum Sapienti.* London, 1691, p. 15.

<sup>5</sup> *An Essay upon Taxes calculated for the Present Juncture of affairs in England.* London, 1693, PP- 20-24.

<sup>6</sup> "In a General Tax, if any shou'd be excus'd, it shou'd be the Poor, who are not able to pay, or at least are pinch'd in the necessary parts of Life by paying."—*An Essay upon Projects.* [By Daniel De Foe.] London, 1697, p. vii.

<sup>7</sup> "And not to run on in Particulars, I affirm. That in the Land-Tax Ten certain Gentlemen in London put together, did not pay for half so much Personal Estate, call'd Stock, as the poorest of them is reputed really to possess."—*Ibid.*, p. xi.

<sup>8</sup> "If I were to be ask'd how I wou'd remedy this? I wou'd answer, It shou'd be by some Method in which every man may be tax'd in the due proportion to his Estate, and the Act put in execution, according to the true Intent and Meaning of it; in order to which a Commission of Assessment shou'd be granted to Twelve Men."—*Ibid.*, p. viii.

interest.<sup>1</sup> The author's ideal was a "just and equal Tax, obliging all Ranks and Degrees of men to pay to the support of the Government in proportion to their share in the Publick, and the benefits they reap from it."<sup>2</sup> This ideal, he thought, could be reached "by taking of Money, according to its product in Interest, as it were so much a year in Land."<sup>3</sup>

The time for such projects, however, had already passed, although the proposition was occasionally revived. Wagstaffe, for instance, at the beginning of the eighteenth century, painted in glowing colors the defects of the existing system.<sup>4</sup> "If a General Excise, and any other Provision for an equal Tax may be feasible," he added, "no Man shall more readily embrace it than myself." In default of any such scheme, however, he outlined his plan for a tax on personal property, and engaged "to shew that it will be so far from being Prejudicial to the Trade of the Nation, that 'tis the only way to Encourage and Support it."<sup>5</sup> In the fifth<sup>6</sup> and sixth<sup>1</sup> decades of the eight-

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<sup>1</sup> An Essay concerning the *Necessity of Equal Taxes; and the Dangerous Consequences of the Encouragement given to Usury among us of late Years. With some Proposal to promote the Former and give a Check to the Latter*. By the author of *The History of the Last Parliament*. London, 1702. This was probably written by James Drake, M.D., although it is also ascribed to Sir Richard Blackmore (as in the Manchester Free Library catalogue).

<sup>2</sup> *Ibid.*, p. 5.

<sup>3</sup> *Ibid.* p. 11. "Till such a Scheme for raising Money," he says in another place, "may be contriv'd, as shall reduce Money and Land to a just proportion in the expences of the Nation, the Publick will always lean on the wrong side, and be in a tottering condition." — *Ibid.*, p. 3.

<sup>4</sup> *The State and Condition of our Taxes considered; or, a Proposal for a Tax upon Funds: shewing the Justice, Usefulness, and Necessity of such a Tax, in respect to our Trading and Landed Interest, and especially if we engage in a new War, etc.* By a Freeholder [William Wagstaffe]. London, 1714. A similar plan is found in *Fair Payment no Spunge*, etc. 1717. See above, p. 27.

<sup>5</sup> *The State and Condition of our Taxes*, p. 16.

<sup>6</sup> *Pro Commodo Regis et Populi. Publick Funds for Publick Set-vice, by raising Three Millions of Money, or a Million and a Half with Ease and Ability, without Charge of Collecting, or affecting Land or Trade, or burdening Tax upon Tax. In an Appeal to the Impartial and Common Understanding of all Mankind*. London, 1744. The author bases his claim on the following argument: "The Land is the Wealth of the Country, has it's natural, and artificial Product, The one the Fruits of the Earth, the other the Manufactures and Labour of it; But if it is solely loaded with constant heavy Taxes, it's Possessors generally will be poor."—p. 19. cf. p. 17.

eenth century we again meet with allusions to the scheme. But the current of opinion, as well as the actual practice of the day, was so strongly against the scheme of a tax on personal property that very few writers took the trouble formally to refute the reasoning on which it was based. One or two, indeed, attempted to show that the reduction in the rate of interest on the funds was in effect a tax on funds.<sup>2</sup> But such an obviously weak argument was not necessary. Little more was heard of the plan.

### CHAPTER V—Those who favor a Single Tax on Land

The theory that all taxes are finally shifted to the landowner is commonly ascribed to the Physiocrats. Yet the same theory was expounded in England long before their time. The first inkling of the doctrine is found in a celebrated seventeenth-century tract, in which the author contends that the landowners "bear all the Taxes and public burthens; which in truth are onely born by those who buy and sell not; all sellers raising the price of their commodities, or abating of their goodness, according to their Taxes."<sup>3</sup>

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<sup>1</sup> Thoughts on the pernicious Consequences of borrowing Money. London, 1759.

<sup>2</sup> "A Reduction of Interest is to all Intents and Purposes a Tax."—*A Serious Address to the Proprietors of the Publick Funds, occasioned by several late Schemes for Reducing their Interest or Subjecting them to Taxes: in which the Rights of Publick Creditors are explained and asserted, their just claim ... to an exemption from Taxes fully demonstrated*, etc. Humbly submitted to the Consideration of the Members of the House of Commons. London, 1744, p. 41. "Those who say that Land and Trade have borne all the Burthen," adds the author, "& that such as have lent their Money to the Publick have paid nothing, really beg the Question, and take that for granted which it is not in their Power to prove, nay the very reverse of which is true."—*Ibid.*, pp. 36, 37.

<sup>3</sup> Reasons for a Limited Exportation of Wool. 1677, p. 5. The author also states that the landowners "are Masters and Proprietaries of the foundation of all the wealth in this Nation, all profit arising out of the Ground, which is theirs." Therefore it is much more to the interest of the nation to "preserve the Nobility, Gentry, and those to whom the Land of this Country belongs than a few Artificers employed in working the Superfluity of our Wooll or the Merchants who gain by the exportation of our Manufacture." This tract was written as a reply to *England's Interest by Trade asserted, shewing the Necessity and Excellency thereof*, etc. By W. C. (William Carter), a Servant to his King and Country. London, 1671. It was in turn answered by Carter in *A Reply to a Paper Intituled Reasons for a Limited Exportation of Wooll, or Objections against England's Interest*. London, 1689.

This theory of incidence was, however, worked out much more fully by John Locke. He lays down his general thesis in the words: "Taxes, however contrived, and out of whose Hand soever immediately taken, do, in a Country, where the great Fund is in Land, for the most part terminate upon Land."<sup>1</sup> To prove this, Locke first attempts to show that a tax levied on the landowner cannot be shifted. If the "country gentleman" actually pays the tax out of his own pocket, says Locke, he certainly feels the burden. But "this influences not at all the yearly Rent of the Land, which the Rack-renter or under Tenant pays; it being the same thing to him, whether he pays all his Rent to the King or his Landlord." For the "Tenant's Bargain and Profit is the same, whether the Land be charg'd, or not charg'd with an Annuity payable to another Man." The landowner, in other words, cannot shift a land tax.<sup>2</sup>

But how is it, if taxes are levied not on land but on commodities . "A tax on commodities, says Locke, must raise the price of the commodities to the consumer." Let us see now who at long run must pay this and where it will light." " 'Tis plain, the Merchant and Brokre, neither will nor can; for if he pays more for Commodities than he did, he will sell them at a Price proportionably raised." On the other hand, the "poor Labourer and Handicraftsman cannot; for he just lives from hand to mouth already." The consequence of a tax on the laborer will be either that "his Wages must rise with the Price of things, to make him live, or else, not being able to maintain himself and Family by his Labour, he comes to the Parish; and then the Land bears the Burthen a heavier way." But if the laborer's wages rise, the farmer who must pay "more for Wages as well as other things, whilst he sells his Corn and Wool, either at the same rate, or lower, at the Market (since the Tax laid upon it makes People less forward to buy) must either have his Rent abated, or else break and run away in his Landlord's Debt, and ... so the yearly Value of the

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<sup>1</sup> *Some Considerations of the Consequences of the Lowering of Interest, and Raising the Value of Money*. In a Letter to a Member of Parliament. [By John Locke.] London, 1692, p. 87. The date of this work is generally given as 1691. But although the epistle dedicatory bears the date of Nov. 7, 1691, the book itself has the imprint 1692. The passage quoted in the text may also be found reprinted in the *Collected Works of John Locke*, 12th edition, 1824, vol. iv, p. 55.

<sup>2</sup> *Some Considerations*, pp. 88, 89.

Land is brought down, and who then pays the Tax at the years end but the Landlord?"<sup>1</sup>

A tax on commodities imported, he continues, will always be shifted from the merchant to the consumer. In fact, the importer will generally expect a profit and "raise his price above what his Tax comes to." For "you must not think that the raising their Price will lessen the vent of fashionable, Foreign Commodities amongst you."<sup>2</sup> With the produce of land it is different. "Your Landlord being forced to bring his Commodities to Market, such as his Land and Industry afford him, common and known things, must sell them there at such price as he can get." When a tax is laid on these "homebred Commodities," which are seldom "the Favourites of your people, every one makes as sparing a use of them as he can;" prices will fall and rents will decrease.

Hence Locke concludes in the famous passage: "It is in vain, in a Country whose great Fund is Land, to hope to lay the publick charge of the Government on anything else, there at last it will terminate. The Merchant (do what you can) will not bear it: the Labourer cannot, and therefore the Landowner must; and whether he were best to do it, by laying it directly where it will last settle, or by letting it come to him by the sinking of his Rents, which when they are once fallen, every one knows are not easily raised again, let him consider."<sup>3</sup>

Locke's theory was soon accepted by a number of writers. One of the earliest was the renowned financier Davenant. But while Davenant accepts Locke's theory of incidence, he does not draw the conclusion that it is advisable to levy a single tax on land. For instance, he intimates in one place that it may be wise to supplement the land tax by a "tax on money."<sup>4</sup> He is also quite a partisan of the excise, and asks "Can any tax be more reasonable?" He thinks, however, that "the proper commodities to lay excises upon are those which serve merely to luxury, because that way the poor would be least af-

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<sup>1</sup> Ibid., p. 91.

<sup>2</sup> Some Considerations, pp. 92, 93.

<sup>3</sup> Ibid., p. 95, 96. This is the first instance in English literature of any allusion to the term "direct taxes."

<sup>4</sup> See above, p. 67. .

fected."<sup>1</sup> Even here, however, he believes that excises also fall ultimately on land, even if with somewhat less crushing force than a direct land tax.<sup>2</sup> Davenant, in fact, holds that the farther off taxes are laid from the producer, the smaller will be their tendency to rest on the land.<sup>3</sup> But this tendency, he admits, cannot be entirely arrested; and he does not shrink from stating that "all taxes whatsoever are in their last resort a charge upon land."<sup>4</sup> So also Asgill<sup>5</sup> and Cantillon<sup>1</sup>

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<sup>1</sup> 4 *An Essay upon Ways and Means of supplying the War*. [By Charles Davenant.] London, 1695. In the *Collected Works of Davenant*, edited by Whitworth, London, 1771, vol. i, pp. 65, 66

<sup>2</sup> "Though excises will affect land in no degree like taxes that charge it directly, yet excises will always lie so heavily upon the landed man, as to make them concerned in parliament, to continue such duties no longer than the necessity of the war continues."—*An Essay upon Ways and Means*, p. 77.

<sup>3</sup> "All excises should be laid as remotely from land as possible; it is true they yield less when so put, because the first maker is best come at; but when the last manufacturer or vender is charged, they lie with most equality upon the whole body of the people, and come not upon land in so direct a manner."—*Discourses on the Publick Revenues and of the Trade of England*. London, 1698. In *Collected Works*, i, p. 224.

In a later work, Davenant neglects this aspect of the excises, and emphasizes their injurious results to trade. "There is scarce any of these new Revenues, which do not give Trade some desperate Wound. The Additional Duties on Beer and Ale, and the Tax upon Malt are apparently a Burthen upon the Woollen Manufactures, affecting the Carder, Spinner, Weaver and the Dyer, who all of them must be rais'd in their Wages, when the Necessaries of Life are rais'd to them. The Consequences of which will be. That our Woollen Goods must come at a heavy and disadvantageous Price into the Foreign Markets."—*An Essay upon the Probable Means of making a People Gainers in the Ballance of Trade*, By the author of the *Essay upon Ways and Means*. London, 1699, p. 145. (Also in *Collected Works*.) Cf. pp. 146, 147, where he discusses the bad influence of the salt tax on "Manufactures and Navigation." Cf. also a passage much quoted at the time of Walpole's Excise scheme: "This may be generally said, That all Duties whatsoever, upon the Consumption of a large Produce, fall with the greatest Weight upon the Common Sort; so that such as think in new Duties that they chiefly tax the Rich, will find themselves quite mistaken; for either their Fund must yield little, or it must arise from the whole Body of the People, of which the richer Sort are but a small Proportion." This passage is quoted on the title-page of *The Nature of the Present Excise*. London, 1733, mentioned below, p. 81.

<sup>4</sup> *An Essay upon Ways and Means*. In *Collected Works*, i, p. 77.

<sup>5</sup> 4 *Several Assertions Proved in order to Create another Species of Money than Gold or Silver*. By John Asgill. London, 1696, esp. p. 20. "Man deals in nothing but Earth; the Merchants are the Factors of the world to exchange one parte of the earth for another. The King himself is fed by the labour of the ox and the Cloathing of the

were worthy precursors of the Physiocrats, so far as they asserted that land was the real foundation of all wealth, and therefore ultimately bore the weight of all taxes.

In the early decades of the eighteenth century, Locke's theory is frequently encountered. Some authors, like Wood, were quite content simply to quote his views.<sup>2</sup> Others sought to add to Locke's argument. One writer, who accepts the general theory, boldly takes issue with the doctrine as expounded by Davenant, and maintains that the more indirect the tax, the worse it will be for the landowner.<sup>3</sup> Another writer, whose pages are filled with quotations from Locke, does not deny that excises add to the price paid by the consumer, but thinks that the producer also pays the tax, at all events in part.<sup>4</sup> He

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army and the Victualing of the navy, must all be paid for to the owner of the soil as the ultimate Receiver, and whatever the ultimate Receiver will demand or accept must be a rule for the intermediate Receivers to govern themselves by." Asgill was first quoted by Lauderdale in *An Inquiry into the Nature and Origin of Public Wealth*. London, 1804, p. 113.

<sup>1</sup> Cantillon, *Essai sur la Nature du Commerce en General*, 1755. (Translation of the English work written before 1734 but not published.) See esp. chap. xii: "Tous les Ordres et tous les Hommes d'un Etat subsistent ou s'enrichissent aux dépens des Propriétaires des Terres."

<sup>2</sup> *A Letter to a Member of Parliament: shewing the Justice of a more equal and impartial Assessment on Land: the Sacredness of Publick Engagements: the Advantages of lowering the Customs and high Duties on Trade: And the Ease of reducing by Degrees the Debts of the Nation*. London, 1717, esp. pp. 7 and 28. If this pamphlet was not written by William Wood, he must be accused of plagiarism. For in a large work of the next year, which Wood wrote, we find whole pages on the subject of taxation, including extracts from Locke, copied word for word from the pamphlet, without mentioning it at all. Cf. *A Survey of Trade in Four Parts . . . together with Considerations on our Money and Bullion*. [By William Wood.] London, 1718, pp. 68-72, where pp. 5-8 of the pamphlet are copied bodily. Wood, however, does not go quite as far as to advocate the single tax on land. He simply objects to taking off any taxes on land.

<sup>3</sup> "If Land Owners can and do prevent the Load of a Tax from falling directly and immediately on themselves, yet in the last Resort there it will fall, let them shift it seemingly as far off as they will in the first Imposition; and perhaps just so much farther off from them as it is laid in the first Instant, and according to common View and Estimation, just so much the more heavily it comes upon them at the last."—An Essay on Leases and Annuities. London, n.d. [circa 1730], p. 109.

<sup>4</sup> "There is no Doubt but the last Retailer of excisable Goods makes an Addition to the Price of them, equal to the Tax laid upon them; and yet I am afraid that the first Producer pays it likewise, so that in the Event 'tis twice paid."—*Some Thoughts*

seeks to prove this by an inductive study of the malt tax. The same result, he thinks, is clear from a scrutiny of the "duty on lights," which was intended as a tax on the tenant, and yet turned out to be a tax on the owner.<sup>1</sup> "In this Instance," says our author, "we see how readily and quickly the Tax centers in the Landlord; from whence one would suspect that this is the Case in most of the excisable Goods."<sup>2</sup> "The many windings and turnings in Trade," he concludes, " may make it longer e'er the Tax reaches the Landholder, and may prevent our discovering how it takes its Course, yet there it must and does come at last."<sup>3</sup>

At the time of Walpole's excise scheme, it was but natural that this view should again be emphasized. One of the disputants sought to crush his adversary by stating that "it hath been fully proved by unanswerable Authority that all Taxes, in this Kingdom, must ultimately affect Land."<sup>4</sup> But after Locke, the theory was most fully explained at about the same time, although independently of the excise controversy, by Vanderlint, with whose views on the subject of the workingman we have already become acquainted.<sup>5</sup>

Vanderlint contends that if all the existing taxes were suddenly to be abolished and to be replaced by a tax on real estate, the benefit would still inure to the landowner. His argument is as follows: prices of commodities, when freed from taxation, either will remain the same or will fall. If they remain the same,—assuming also that there has been no change in the money supply,—the cost of production

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*on the Interest of Money in General, and particularly in the Publick Funds, With Reasons for Fixing the same at a lower Rate, in both Instances, with Regard especially to Landholders.* London, n.d., p. 93. This work, as appears from internal evidence, was published between 1728 and 1739. The quotations are made from the second edition.

<sup>1</sup> "The Custom in some Places, I may say in some Countries, is to throw it on the Owners, and they discount it as regularly as they do the Land Tax."—*Ibid.*, p. 94.

<sup>2</sup> " Since the Pretext of the Duty," he adds, " is so good a Handle to beat down the Price of them in the Hands of the first Producer."—*Ibid.*, p. 95.

<sup>3</sup> *Ibid.*, p. 95.

<sup>4</sup> A Review of the Excise Scheme; in Answer to a Pamphlet, intitled *The Rise and Fall of the late projected Excise, impartially considered.* [By Pulteney?] London, 1733, p. 22.

<sup>5</sup> *Money answers all Things*, etc. By Jacob Vanderlint. London, 1734. For the full title, see above, p. 42.

will decrease, because of the abolition of the tax on the producers. The difference between cost and price, however, is rent. Hence, the only result will be to increase the rent of the landowner.<sup>1</sup> On the other hand, if the prices fall, demand will increase. But, since all commodities, in last resort, come from the land, this increased demand means higher rent.<sup>2</sup> Thus, from either point of view, remission of taxes redounds to the welfare of the landlord. In other words, the incidence of all taxes is on the land. Vanderlint accordingly proposed a single tax on land, as at once far cheaper and far better than the existing complicated and inconvenient taxes, which after all, in his opinion, finally fall on land.

This view of the incidence of taxation occasionally appeared in subsequent decades. Thus, during the forties,<sup>3</sup> one writer seeks to prove at some length that not only do "Taxes laid upon our Home consumption center chiefly in the Landowner," but "the same must be true of the, any other way, advanced Price of the Necessaries of Life." Another writer of the same date states: "It is now no longer a Question; all men are convinced, and see clearly, that all Taxes ... do either immediately, mediately, or ultimately, fall upon the Land-Holder."<sup>4</sup> The doctrine was, however, presented to the English public

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<sup>1</sup> "Suppose the Cash, amongst the People in general, to be what it now is; and that all the Taxes were taken off Goods; it's evident, this would not, in the End, lower the Price of Goods to the Consumers; since that Price ... depends on the Quantity of Money circulating amongst the People: But if the Duties were taken off Goods, they must cost as much less than they do now, as the Taxes now on them ... now enhance them; therefore, I think, if the Taxes were taken off Goods and laid on Lands and Houses only, so much more Money must in this Case come to the Hands of the Farmers for the Produce of the Ground, as would enable them to pay as much larger Rents."—*Ibid.*, pp. 112, 113.

<sup>2</sup> "If the Taxes were taken off Goods, they would come Cheaper, and Cheapness would increase the Consumption, as Cheapness of everything always doth; and that Increase of the Consumption would increase the Demand for those Things. Now since everything is the Produce of the Ground, the Demand for the Produce would increase the Demand for Land, and that would necessarily raise the Rent, even till all the Money now paid for Taxes, together with all the Charge they are necessarily attended with, would come into the Landlords Pockets for Rent."—*Ibid.*, p. 114.

<sup>3</sup> *3 The State of our Wool and Woollen Trade Review'd. Wherein some Objections to the Grasier's Advocate are consider'd*, etc. London, 1743, p. 47.

<sup>4</sup> *The Axe (once more) laid to the Root of the Tree*, etc. London, 1743, p. 6. For the full title, as well as for some other views of the author, see above, p. 53.

for the last time, although in an alleged translation from the French, as late as the decade immediately preceding Adam Smith, in the following statement: "Since the time of that great metaphysical legislator, Locke, it is an acknowledged and adopted principle of all who reflect with any perspicuity, that the weight of every tax upon consumption, ultimately falls and sets heavy on the proprietors of the soil."<sup>1</sup>

## CHAPTER VI—Those who favor a More Eclectic System

For some time after Locke's theory of the single tax on land had been propounded, there was but little opposition either to the scheme or to the theory of incidence on which it was based. This was no doubt owing to the fact that the plan was never seriously considered by the political leaders. But when Walpole put forward his excise scheme, the problem of incidence became a burning question. Several writers not only denied the general theory of the shifting of all taxes to land, but maintained that the land tax itself did not rest on the land.

Walpole himself is supposed to have been the author of a tract in which the theory is advanced that a tax on land is shifted to the consumer. "The Land-tax," he says, "falls heavily upon the People, by heightning the Rents of Lands, and consequently of Bread and Drink, and other Food: So that what the Land pays, the People too pay."<sup>2</sup> Another writer who favors the excise thinks that "where the Land is not Taxed, doubtless the Charge of Pasturage, and the Price of Provisions, will be less in proportion."<sup>3</sup> He considers the reduction of the land tax desirable for other reasons also, because "even the Labourer will find it for his Benefit; since, according to that Money which the Landed Man can spare, the Labourer will be employed."<sup>4</sup>

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<sup>1</sup> *A General View of England; Respecting its Policy, Trade, Commerce, Taxes, Debts, Produce of Land, Colonies, Manners, etc., etc. Argumentatively stated from the Year 1600, to 1762*; In a Letter to A. M. L. C. D. By M. V. D. M. Now translated from the French, first printed in 1762. London, 1766, p. 17. Cf. p. 200.

<sup>2</sup> *Some General Considerations concerning the Alteration and Improvement of Publick Revenues*. [By Sir Robert Walpole.] London, 1733, p. 9.

<sup>3</sup> *A Letter to a Freeholder on the Late Reduction of the Land Tax to One Shilling in the Pound*. By a Member of the House of Commons. London, 1732, p. 21.

<sup>4</sup> *Ibid.*, p. 39. The author favors a tax on salt for the following remarkable reason: "All Men use Salt in proportion to their Ability, but all Men do not hold Land: to Multitudes of the former, there are very few of the latter . . . Is it not then much more

The fullest expression of this view is found in the work of an anonymous pamphleteer who addressed himself primarily to the question of incidence.<sup>1</sup> He opposes the taxation of land, and incidentally favors the excise scheme, because the land tax is, in his opinion, shifted to the consumer. The smaller the land tax, the lower will be the price of provisions. This means lower money wages for the workman, and this, again, will enable the employer to compete with foreigners.<sup>2</sup>

In another passage, the author states outright that "a Land-Tax, which affects all the common Necessaries of Life of our own Production, is an actual general Excise, in the strict Sense of the Words." He therefore favors a scheme like Walpole's, because "it is a particular Excise upon foreign Superfluities and Luxuries, with a View to take off a general Excise from the common Necessaries."<sup>3</sup> Later on, again, the author tries to show in considerable detail how a tax on land will raise the price of all manufactured products, as well as of the produce of the soil. He concludes that "whatever Tax be laid upon Land, the Rents and Produce thereof will be in a continual Flux of Raising, till the Landlord finds his Gains to be as great after the Deduction of that Tax, as before it was imposed."<sup>4</sup> He discusses at

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equal and righteous that we should tax every Man a little in proportion to his Ability, than that we should tax a very few Men in a great Degree, far beyond the Proportion of their Ability?"—*A Letter to a Freeholder*, pp. 28, 29. A somewhat similar defence of the salt duty is found in another tract entitled *A Vindication of the Conduct of the Ministry, in the Scheme of the Excise on Wine and Tobacco, etc., etc.* London, 1734. The author favors the salt tax: "first that Duty is payed universally over the whole Nation and that it costs but little to ever}' one in particular."—*Ibid.*, p. 57.

<sup>1</sup> *Englishmen's Eyes opened; or All made to SEE, who are not resolv'd to be BLIND: Being the Excise Controversy set in a new Light; completely discuss'd upon the just Principles of Reasoning, and brought to a fair and demonstrative Conclusion: between a Landholder and a Merchant.* London, 1733.

<sup>2</sup> "By easing the Land, the Price of all the common Necessaries and Conveniences of Life become cheaper; . . . when a Land-Tax is taken off, Landlords may afford to ease their Tenants, and they of course will ease the Poor in the Price of the Production of their Lands. The Poor, when they can live cheaper, will work cheaper; and our Manufactures will consequently be exported cheaper."—*Ibid.*, p. 7.

<sup>3</sup> "Far from having a Tendency," he continues, "to what the Judicious understand by a general Excise, no Step could possibly be taken more effectually to free us from a general Excise."—*Ibid.*, p. 15.

<sup>4</sup> *Ibid.*, p. 54.

some length the argument of "Mr. Lock," but thinks that "gentlemen have wrested the Sense of this great Author, and made him speak their Sentiments, not his own."<sup>1</sup>

These writers, as we have seen, opposed the land tax, because, among other defects, it was shifted to the consumer. But others who held the same doctrine of incidence drew precisely the opposite conclusion, favoring the land tax and trying to make it popular with the farmers and with the landowning legislators, just because it would not fall on them. Thus the author of an interesting tract<sup>2</sup> thought that the landlords raised their rents by the amount of the land tax, but that the farmers did not suffer, because they simply added the tax to the price of their products, the weight of the tax thus resting at last on the consumer.<sup>3</sup>

The theory that the land tax is shifted to the consumer was, as we know, a favorite doctrine of Petty.<sup>4</sup> It ran counter, however, not only to the popular understanding, but to the ideas of most of the writers that discussed the land tax, who opposed or favored it according to their views as to the desirability of taxing the landowner. Thus, in the seventeenth century, one pamphleteer strongly upheld the land tax,<sup>5</sup>

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<sup>1</sup> By a very involved and curious process he comes to the conclusion that the "Reasoning of Mr. Lock, although he has been frequently cited as an Authority for laying the Burthen of the Revenue upon Land, exactly quadrates with the whole Chain of my Argument in Opposition to it."—*Ibid.*, p. 57.

<sup>2</sup> *The Nature of the Present Excise, and the Consequences of its farther Extension, examined.* In a Letter to a Member of Parliament. London, 1733. The author is noteworthy as being one of the first to propound the capitalization theory of the land tax. See below, pp. 137, 138.

<sup>3</sup> "All the Gentlemen ... have had frequent opportunities of re-setting their Lands, and have indemnified themselves by raising their Rents: What they have lost by the Tax, they have gain'd in their Rent-rolls. The Farmers themselves have not felt it much, because they have raised the Price of Provisions likewise in Proportion, as their Landlords have raised their Payments; so that the greatest Burthen has lain all along upon the Consumer, who in Nine Instances out of Ten, is a Labourer or Manufacturer."—*Ibid.*, p. 38.

<sup>4</sup> See above, p. 19.

<sup>5</sup> "It is humbly offered and submitted, whether there can be any way in the World found, more certain, equal, and easie, to raise the same (Money), than by a Land-Tax: for then they will know what it is they give, when and how certainly it will come in, and the time when the same will end."—*The Grand Concern of England; explained in several Proposals offered to the Consideration of the Parliament.* By a

while Reynell as vigorously objected to it,<sup>1</sup> but neither imagined for a moment that the tax would not rest where it was imposed.

Again, at the time of the excise scheme most of those who favored the excise did so because they desired to relieve land from the burdens resting on it. As one of the writers put it: "A Tax imposed upon Land, is utterly unavoidable. Let a Freeholder be in narrow circumstances, let him have a large Family, let him be a frugal Man, or let his Case be what he will, he cannot help himself by any Abatement of this Charge upon his Income. Such an Estate is loaded with such a Burden, which no Management can lighten."<sup>2</sup>

With the greater diversity of taxation in the eighteenth century, the controversies over the incidence of taxation soon covered more ground than the land tax. With this widening of the field, the opposition to Locke's theory of the single tax grew apace. Nugent, for example, the author of a widely read monograph, maintains that "Mr. Locke's position, taken in its full extent and without any limitations, is greatly controvertible," and "that the maxim seems to go farther than reason and experience will warrant."<sup>3</sup> He does not object to the statement that a tax laid upon farmers' produce " makes people less

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Lover of his Country and Well-wisher to the Prosperity both of the King and Kingdoms. London, 1673, p. 3.

<sup>1</sup> Taxes were better raised any way than from the Land, for that drains Money out of the Country which seldom or never returns ... There might be waies found out, that no Taxes might ever be laid, on the substantial part of the Nation, Country, or City, Land, or Houses."—*The True English Interest, or an Account of the Chief Natural Improvements*. By Carew Reynell. London, 1674, chap. 25: "Kings Revenue, Taxes, Customs," pp. 68, 69. His scheme was to lay a tax "only on the vices of the People, as on all Taverns, Ale Houses, Foreign Needless Commodities and on debauched persons." To this he added a tax on bachelors, and high customs duties which he thought would be paid by the foreigner.

<sup>2</sup> A Letter to the Free-holders of Great Britain. London, 1733, p. 27. "But Wine and Tobacco," he adds, "are things of quite another Kind ... A Man may either live comfortably without them, or lessen his Expences in them, as he sees convenient." Cf. for similar views as to the land tax *A Letter from a Member of Parliament for a Borough in the West, to a Noble Lord in his Neighbourhood there, concerning the Excise-Bill and the Manner and Causes of Losing it*. London, 1733, p. 27. See also *The Rise and Fall of the late Projected Excise, impartially considered. By a Friend to the English Constitution*. London, 1733, pp. 13, 15, 27.

<sup>3</sup> *Considerations upon a Reduction of the Land Tax*. [By Robert Nugent.] London, 1749, p. 9.

forward to buy"; but he does not see "why that reason should not have the same operation upon other commodities." The demand for commodities, he thinks, depends "on the quantity of money subsisting in the market"; and if this quantity is unchanged, an increased tax on the general trader must diminish mercantile profits.<sup>1</sup> The same argument which proves that a land tax cannot be shifted equally shows that a tax on traders' profits can likewise not be shifted. Nugent, however, makes one notable exception, maintaining that it is useless to try to tax "moneyed men" on their personal property. For, says he, taxes on mortgages or on the public funds would be shifted to the mortgagor or to the public, respectively, through a corresponding increase in the rate of interest.<sup>2</sup> Finally, he objects to any further increase of the excise taxes, opposing the view that higher taxes will induce the poor to work.<sup>3</sup> Therefore, while he is confessedly not an advocate of any single tax on land, he objects to a lowering of the land tax, which would involve a further increase in the taxes on trade and commodities.

In a later monograph Nugent returns to the charge and speaks of the absurdity of those who "contend for an Abatement of that Tax, preferable to all others, the cheapest levied, producing most, and the least felt, of any. And such, incontestably, is the Land-tax; which, bating the Word, affects that Interest, which opposes it strongest, less, than any other Tax in like Proportion of Quantity and neat Produce."<sup>4</sup>

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<sup>1</sup> "And if additional taxes be laid, while the money, with which commodities are to be purchased, remains unincreased, the traders must be contented with smaller gains, or not trade at all. And the first part of the alternative will always be the case, where the profits of a flourishing trade may well support some diminution."—*Ibid.*, p. 14.

<sup>2</sup> "Were mortgages, or the funds, to be taxed, matters would not be mended. For, as taxes, wherever placed, can have no tendency to lower the interest of money; they, who buy into the funds, would buy so much cheaper as the tax would amount to, and the lender upon mortgages insist upon a higher rate of interest."—*Ibid.*, p. 25.

<sup>3</sup> See above, p. 42.

<sup>4</sup> Further Considerations upon a Reduction of the Land-Tax: Together with a State of the Annual Supplies of the Sinking Fund, and of the National Debt, at various future Periods, and in various Suppositions. [By Robert Nugent.] London, 1751, pp. 90, 91.

The general doubt as to the truth of Locke's theory is seen in a number of other works. Thus an anonymous writer of about the same period maintains that the existing taxes affect not only the landowner, but also the laborer and the trader.<sup>1</sup> In former times, he says, "when taxes were very moderate, because they were so, the necessities of Life were cheap; Labour was so. The consequence of which was, that we were enabled to work up our Manufactures so moderately cheap as to command most of the Markets of the World."<sup>2</sup> A little later Postlethwayt refers to the opposition to Locke's theory, without attempting, however, to give his reasons.<sup>3</sup> Another writer refers more specifically to Locke's doctrine that taxes on commodities are indirect taxes on land.<sup>4</sup> This he thinks a mistake, not only because wages do not rise proportionately with taxes on labor, but also because trade is able to shift the burden of taxes to the consumer. It is the workman, not the landowner, upon whom the weight finally rests.<sup>5</sup>

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<sup>1</sup> *Britannia in Mourning: or a Review of the Politicks and conduct of the Court of Great Britain with Regard to France, the Ballance of Power, and the True Interest of these Nations ... and likewise a View of the present State of our Liberties and Trade, compared with what they have been, etc. In a Dialogue between two ancient Patriot Englishmen, commonly known by the names of, Jest and Earnest.* London, 1742.

<sup>2</sup> *Ibid.*, pp. 13, 14.

<sup>3</sup> "If Mr. Locke's Observation, that all Taxes in general ultimately terminating upon landed (sic) should be exceptionable, as some think it, yet," etc.—*Great Britain's True System*, etc. By Malachy Postlethwayt. London, 1757, p. 306.

<sup>4</sup> *Considerations on the Policy, Commerce and Circumstances of the Kingdom.* London, 1771, chap. viii: "On Taxes," p. 60.

<sup>5</sup> "Mr. Locke was of opinion, that taxes upon commodities affect the landed interest more than if laid directly upon land; which would be a good deal the case, if the prices of labour were raised proportionally to the increase of taxes; but that has not been done in this country. There is indeed no taxing of traders in the articles of their traffic, because they are, and ever will be, the raters of the values of their own commodities: so that experience shews, for a small tax laid on any thing they deal in, they will make a large consideration in price. Thus those whose single commodity is labour; are taxed by government, directly for their windows, for statute-work and most commodities they consume, and they are indirectly taxed by land-owners in the increase of farm-rents, because the farmer raises proportionally the prices of his commodities; while other dealers add to the taxes that are laid on the commodities they sell, another to themselves in the prices which they exact; without workmen having any advance in their own wages that is equivalent."—*Ibid.*, pp. 60-62.

The most famous opponents of the single tax on land, however, were the two chief economists of the third quarter of the eighteenth century, Hume and Steuart. Hume attacks Locke's doctrine on the ground that every one tries to shift the tax to some one else; and that there is no reason to suppose that the landowners are weaker in this respect than other classes of society. "Every man, to be sure," says Hume, "is desirous of pushing off from himself the burthen of any tax, which is impos'd, and laying it upon others: But as every man has the same inclination, and is upon the defensive; no set of men can be suppos'd to prevail altogether in this contest. And why the landed gentlemen shou'd be the victim of the whole, and shou'd not be able to defend himself, as well as others are, I cannot readily imagine."<sup>1</sup> Hume thinks that the principle 'tho' first advanc'd by a celebrated writer, has so little appearance of reason, that were it not for his authority, it had never been receiv'd by anybody."

In another celebrated passage, Hume discusses the maxim of the "ways and means men," which he accepts in part "that every new tax creates a new ability in the subject to bear it." He points out that the consequences of laying a tax on commodities consumed by the common people are ordinarily supposed to be a diminution of wages so that the laborer bears the burden himself, or an increase of wages whereby the burden is shifted to the employer. "But," he adds, "there is a third consequence, which very often follows upon taxes, viz., that the poor encrease their industry, perform more work, and live as well as before, without demanding more for their labour."<sup>2</sup>

Hume here seems to share the opinion already discussed,<sup>3</sup> that taxes act as a spur to industry. But if his reasoning be attentively considered, it will be seen that he is not willing to push the theory very far. For in the first place, he limits the doctrine to taxes other than those imposed upon necessaries of life; and, secondly, even as

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<sup>1</sup> *Political Discourses*. By David Hume, Esq. Edinburgh, 1752. Chap, viii: "Of Taxes," p. 121. The quotations are from the second edition, published in the same year.

<sup>2</sup> "Where taxes are moderate," he goes on to say, "and affect not the necessaries of life, this consequence naturally follows; and 'tis certain that such difficulties often serve to excite the industry of a people, and render them more opulent and laborious than others, who enjoy the greatest advantages."—*Political Discourses*, p. 115.

<sup>3</sup> Above, pp. 32-39.

to these he is doubtful. "This doctrine," he tells us, "may be admitted in some degree: But beware of the abuse. Exorbitant taxes, like extreme necessity, destroy industry, by engendering despair; and even before they reach this pitch, they raise the wages of the labourer and manufacturer and heighten the price of all commodities. An attentive, disinterested legislature will observe the point, where the emolument ceases, and the prejudice begins."<sup>1</sup>

The fullest discussion of the incidence of taxation before Adam Smith is to be found in the works of Sir James Steuart.<sup>2</sup> He divides all taxes into three kinds,—proportional, cumulative and personal. Proportional taxes are those that fall upon expense (what we should call indirect taxes); cumulative or arbitrary taxes are those that affect property; and personal taxes are those that consist of personal services.<sup>3</sup> Proportional taxes, he says, are always "drawn back" (that is, shifted) by the industrious consumer. Steuart thinks a consumer "industrious" in all cases, except when the "consumption made by the latter is an article of superfluity." In other words, taxes on the necessities of life are shifted from wageearner to employer because the wage-earner is a "physical necessarian" who accumulates no profits;<sup>4</sup>

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<sup>1</sup> Ibid., p. n8. Bastable, *Public Finance*, book iii, chap, ii, §3 (2d ed., p. 270), scarcely does Hume justice in seeming to ascribe to him the doctrine in its extreme form.—Somewhat analogous to the doctrine that taxes on production are a spur to industry, is the theory that taxes on consumption increase the quantity of commodities consumed. We find this theory, not indeed in its extreme statement, but in a modified form, formulated by Arthur Young as follows: "Render any thing by taxes something more of a distinction than formerly, and you will find that the tax, instead of checking, will increase the consumption."—*Political Arithmetic*, 1774, p. 217. The same observation is found in the anonymous pamphlet *Inquiry into the Connection between the Size of Farms and the present Price of Provisions*. London, 1773.

<sup>2</sup> *An Inquiry into the Principles of Political Economy: being an Essay on the Science of Domestic Policy in Free Nations*. By Sir James Steuart, Bart. London, 1767, book v, chaps, iii-vi, "Of Taxes, and of the proper application of their amount." In the edition of his *Collected Works*, published in six volumes in 1805, the subject is contained in vol. iv. The quotations here are from the original quarto edition, vol. ii.

<sup>3</sup> "A proportional tax is that which is levied upon the idle consumer, at the time he buys the commodity." "A cumulative tax, is the accumulation of that return which every individual, who enjoys any superfluity, owes daily to the state, for the advantages he receives by living in the society."—Ibid., ii, p. 500.

<sup>4</sup> Ibid., ii, p. 491.

but if the laborer spends his money on taxable articles which other members of his class do not use, he cannot shift the tax.

Steuart illustrates this point as follows: "A tanner sells his leather to a shoemaker; the shoemaker, in paying the tanner for his leather, pays the tanner's subsistence and profit, and the tax upon leather. The man who buys the shoes for his own consumption, refunds all this to the shoemaker, together with his subsistence, profit, and the tax upon shoes; consequently, the price of shoes are (sic) raised, only by refunding the taxes paid by the industrious. But if the shoemaker's subsistence shall happen to include either tavern expences, or his consumption on idle days, he will not draw these back; because other shoemakers who do not frequent the tavern, and who are not idle, will undersell him." All proportional taxes, therefore, fall at last upon "the rich and idle consumer of the manufacture, who can draw nothing back from anybody ... The whole reimbursement of all former payments and repayments lands upon him." Hence Steuart concludes, "How absurd therefore, is it either to say that all taxes fall ultimately upon land; or as others, for no better reason, pretend, that they fall upon trade." "Proportional taxes never can fall either upon, or affect any person but the idle; that is to say the not industrious consumer."<sup>1</sup>

With regard to what he calls cumulative taxes, Steuart lays down the general rule that "the nature of all these taxes, is, to affect the possessions, income and profits of every individual, without putting it in their power to draw them back in any way whatever; consequently, such taxes tend very little towards enhancing the price of commodities."<sup>2</sup> These taxes ought, therefore, in his opinion, generally to be discountenanced. Taxes on land, he thinks, do not augment the price of wheat as similar taxes on commodities raise the price of excisable goods; for, if the proprietor were to attempt to raise the price of his grain in proportion to the tax, his farmer who pays no land tax would undersell him.<sup>3</sup> All attempts to levy a tax on money, however, he regards as certain to fail. A tax on trade profits, again, although it tends to rest on profits, is not to be recommended, be-

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<sup>1</sup> An Inquiry into the Principles, etc., ii, p. 494. Cf. ii, p. 510.

<sup>2</sup> Ibid., ii, p. 496.

<sup>3</sup> Ibid., ii, p. 552.

cause, "although they appear to be income, I rather consider them as stock, which ought not to be taxed."<sup>1</sup> Stuart's final conclusion is expressed in these words: "I conclude that no objection can lie against proportional taxes, so far as they affect the industrious; because they draw them compleatly back: and that great objections lie against cumulative taxes, when they affect the industrious, because they cannot draw them back; and consequently, they may affect the physical necessary of the contributor, in case no profit should remain to him upon his labour. On the other hand, I think little objection can be made to cumulative taxes, when they are imposed upon possessions, which produce a visible annual revenue, clear to the proprietors."<sup>2</sup>

It is clear, therefore, that by the third quarter of the eighteenth century the economists, although differing among themselves, were united in opposing Locke's theory of the shifting of all taxes to land. It is no wonder that Dugald Stewart wrote, a few decades later, in reference to the plan of the single tax on land: "I shall only remark, that the first idea of it was borrowed from this country, where it has been repeatedly suggested by authors of reputation, although it had been almost forgotten as an exploded chimera, when it was revived by the Economists of France."<sup>3</sup> And Arthur Young wrote: "I know not whether Mr. Locke were the original father of the doctrine, that all taxes, laid in any manner whatsoever, fall ultimately on land; but whoever started or supported it, contributed towards the establishment of one of the most dangerous absurdities that ever disgraced common sense."<sup>4</sup>

We have now completed our examination of the early literature on taxation. We have limited ourselves to England for two reasons: first,

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<sup>1</sup> Ibid., ii, p. 541.

<sup>2</sup> Ibid., ii, p. 519.

<sup>3</sup> *Lectures on Political Economy* [delivered in 1800-1801]. Now first published. By Dugald Stewart. Edited by Sir William Hamilton. Edinburgh, 1877, ii, p. 238.

<sup>4</sup> *Travels in France*. By Arthur Young. London, 1794, i, p. 590. Young adds, in reference to the idea of the single tax: "Taxes should bear lightly on an infinite number of points, heavily on none. In other words, simplicity in taxation is the greatest additional weight that can be given to taxes and ought, in every country, to be most sedulously avoided."—i, p. 596. In an earlier work, *Political Arithmetic*, 1774, Young discusses Locke's theories at some length. Cf. pp. 211 et seq.

because most of the fiscal writings, as well as those on economics in general, are to be found in England; and, secondly, because the scantier literature of the continent is very much better known. The continental literature, however, so far as it discussed the incidence of taxation at all, confined itself chiefly to generalities on the question of direct versus indirect taxation, and more specifically to the effects of the excise. In France the two attempts to develop a theory of fiscal reform that were made by Boisguillebert and Vauban<sup>1</sup> met with such little favor in court circles that a quietus was put on the discussion of the topic for more than half a century. In Germany the only treatment of the subject, apart from the monotonous productions of the "Cameralistic" writers, is found in the controversialists on the scheme for the general excise at the close of the seventeenth and the beginning of the eighteenth centuries.<sup>2</sup> In Italy the number of authors was perhaps more numerous, but their influence was small.<sup>3</sup>

In our survey of the English literature, we have found almost as many views as there were writers. That taxes remain where they are imposed, that all taxes are shifted to the landowner, that they are shifted to the trader, that they rest on the laborer, that they rest on the rich consumer, that they do not rest on the consumer at all—these, and variations of these, doctrines meet us in bewildering confusion. Yet even here certain currents of thought may be discerned, and the attempt has been made in the preceding pages to point out the general direction of these currents. The great weakness in all the discussions, however, was the lack of any consistent economic theory in general, and of a theory of distribution in particular. Without such a general definite theory as a basis, the whole superstructure of the

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<sup>1</sup> Boisguillebert wrote the *Detail de la France*, 1697, and *Factum de la France*, 1707. Vauban wrote the *Projet d'une Dime Royale*, 1707. Vauban's work was translated into English under the title *An Essay for a General Tax; or a Project for a Royal Tythe*. By the famous Monsieur Vauban, Marshal of France, etc. London, 1709. The translation was widely read and went through several editions.

<sup>2</sup> For these writers see "Der Accisestreit deutscher Finanztheoretiker im 17. und 18. Jahrhundert." Von Karl Th. von Inama-Sternegg. In the *Tübinger Zeitschrift für die gesamte Staatswissenschaft*, vol. xxi (1865), pp. 514-546. Cf also *Geschichte der National-Ökonomik in Deutschland*. Von Wilhelm Roscher. München, 1874, pp. 319-326.

<sup>3</sup> For these, see *Storia delle Dottrine Finanziarie in Italia*. Dal Prof. G. Ricca-Salerno. Roma, 1881 (2d edition, 1895).

doctrine of incidence was necessarily both slight and unstable. It was reserved for the Physiocrats and Adam Smith to formulate for the first time a consistent theory of distribution as the very basis of the new political economy, and it is accordingly with them that the modern theories of the incidence of taxation begin. It is these modern theories that will now engage our attention.