

can be sustained without exhaustion, will (given the rate of movement) depend solely upon the stock of that metal existing in the bi-metallic states when the drain begins.

But chief among the causes operating to advance the value of gold, is the exclusive power with which gold is invested by law to pay debts in states A to F; while the stock of the dearer metal available to sustain the drain described, is made up, not of all the gold in the sixteen states A to P, or in the ten states A to J, but only of the gold in the four bi-metallic states, G to J.

Now, let us suppose the sixteen commercial states to be somewhat differently divided, as follows:

A, B, C, D, (E, F, G, H, I, J, K, L,) M, N, O, P.

The bi-metallic system is now not twice merely, but many times as strong, since not only is the amount of the dearer metal subject to drain increased, but the demand for that metal, in preference to silver at $15\frac{1}{2} : 1$, now comes from four countries only, instead of six, as formerly.

The transfer of still another state from each of the two single-standard groups, would vastly increase the stability of the bi-metallic system.

A, B, C, (D, E, F, G, H, I, J, K, L, M,) N, O, P. Not only would the base of the system be broadened by bringing the dearer metal of ten states, D to M, under tribute, in the event of changes operating on the supply of either metal; but the force threatening the equilibrium of the system would be reduced, since the demand for the dearer metal would now come from only three states: A, B, C, in the case of a cheapening of silver relatively to gold; N, O, P, in the case of a cheapening of gold relatively to silver. Those three states can not take the dearer metal indefinitely. They would soon be surfeited. A further increase of money in them would be followed by a fall in its value, which would soon proceed so far as to bring the metals together again.

And it is to be noted that, with a bi-metallic league embracing so many states, those which tended naturally to the use of silver as money would continue to use silver predominantly; those which tended to use gold would still use gold as their

main money of circulation. Whenever causes began to operate to cheapen silver relatively to gold (at the mint ratio between the two metals established by the league), the gold using countries would take some additional silver and discard some gold; but this increase of demand for silver and diminution of demand for gold would check the movement to divergence before the character of the circulating medium became greatly changed. In the event of a cheapening of gold relatively to silver, the substitution of gold for silver, in the silver-using states, to the extent only of a small fraction of their circulation, would suffice to put a stop to the movement.

571. This is the bi-metallic scheme. The question of securing the co-operation of independent states to any end, is a political, not an economic question: that is, the desired end is to be obtained by the action of governments, moved by various considerations and interests, and not by the laws of trade.

Our limits will not permit us to enter into a discussion of the causes which have, since 1874, suspended the bi-metallic policy of the Latin Union, or of the probabilities of the future respecting the indifferent use of gold and silver as money.

XV.

THE REVENUE OF THE STATE.

572. The revenue of the State may be derived from:
I. Voluntary Contributions.*

It is, to most of us, difficult to conceive a state of society where the expenses of government should be met through spontaneous self-assessment; yet, in a more primitive condition, such a state of things has existed widely,† and in a few happy instances has come down nearly to our day.

* Voluntary Taxation, says Emile de Girardin, it is the State stimulated; it is the State economical; it is the State Republican and Democratic.

† The words *Dona*, *Benevolences*, etc., in the history of revenue, testify to the original assumption that contribution was voluntary.

The papal revenues* may perhaps be brought under this title. Adam Smith cites Hamburg, Basle, Zurich, Unterwald, Holland, and other communities, where the self-valuation of the citizen was accepted.

An American,† long resident in Europe, thus describes his experience in a community where the principle of self-assessment still survived:

"For four years it was the good fortune of the present writer to be domiciled in one of these communities. Incredible as it may seem to believers in the necessity of a legal enforcement of taxes by pains and penalties, he was, for that period, by law and usage, in the strictest sense of the term, his own assessor and his own tax gatherer. In common with the other citizens, he was invited, without sworn statement or declaration, to make such contribution to the public charges as seemed to him just and equal. That sum, uncounted by any official, unknown to any but himself, he was asked to drop, with his own hand, into a strong public chest; on doing which, his name was checked off the list of contributors, his duty done."

573. II. Lucrative Prerogatives, Public Property, and State Enterprise.

The following may be named as the chief sources of revenue under this head:

(1.) Rent-charges in favor of the state as the proprietor of all lands. This has been fully discussed under the title: the Nationalization of the Land (pars. 496-505).

(2.) Escheat: the principle that the state is the proprietor of all property to which individual titles or claims are lost. This principle was early established in all countries whose legal or fiscal history we know.

It is evident that the scope of this principle will widen or

*The Pope was the greatest capitalist of the Middle Ages. The British Parliament at one time declared the revenues derived from the people of that Kingdom by the Pope to be five times as great as those obtained by the Crown.

† Rev. Dr. Warren, President of Boston University.

contract in correspondence with the laws regulating the descent and bequest of property and prescribing the times and modes of proving claims. Under the feudal system, escheat constituted a most important source of revenue. In England, the right of devising real property did not exist after the Conquest, until the time of Henry VIII. Modern society, however, has given continually wider extension to the power of bequest and the principle of inheritance, until escheat has ceased to be of much importance.

In 1795, the great English law reformer, Jeremy Bentham, in a pamphlet entitled, "*Escheat vice Taxation*," propounded a scheme by which the entire revenue of the state should be derived from this source.

Bentham proposed an extension of the existing law of escheat, "a law coeval with the very first elements of the Constitution," and a corresponding limitation of the power of bequest. The effect intended was to be "the appropriating to the use of the public all vacant successions, property of every denomination included, on the failure of near relations, will or no will, subject only to the power of bequest, as hereinafter limited."

By near relations, he means "such relations as stand within the degrees termed prohibited with reference to marriage."

Further, in the case of "such relations within the pale as are not only childless, but without prospect of children," he proposes, that, instead of taking their share in money, they should take only the interest of it for life.

"As to the latitude to be left to the power of bequest," he writes, "I should propose it to be continued in respect to the half of whatever property would be at present subject to that power."

Bentham argues that in the distribution of property there is no sense of hardship but in proportion to disappointment: expectation thwarted. "Hardship," he says, "depends upon disappointment; disappointment upon expectation; expectation upon the dispensations, meaning the *known* dispensations, of the law."

If, therefore, the law were so framed, distant relations* would not expect to succeed; would consequently not be disappointed; and would consequently suffer no hardship.

574. (3.) Fines and forfeitures for Criminality and Delinquency. Since government exists largely for the protection of life, property and labor, the cost of maintaining government and administering justice might properly be drawn, if it were found possible, from the delinquent and criminal class.

In feudal times, fines and forfeitures constituted a very important source of revenue to the crown.

(a) The relation of the tenant to the lord was a personal one, and any failure in personal loyalty, though it did not become a crime against society, was punished by heavy fines or by total forfeiture.

(b) The crimes of those days were largely political, and political offenders are likely to be men of wealth and position. The Wars of the Roses were so fruitful of forfeitures that a large proportion of the land became the property of the crown.

In the present age political crimes have become comparatively infrequent, and the criminal class are now mainly drawn from the poor, who are not proper, perhaps not possible, subjects for pecuniary exaction.

Hence this branch of public revenue has shrunk into comparative insignificance. Fines and forfeitures pay a part of the expense of strictly judicial establishments, especially of the lower or police courts; but they add little to the general receipts of the state.

(4.) Tributes from colonies, dependencies and conquered nations, including war fines, requisitions and indemnities.

The subject is a fascinating one;† but I must resist the temptation to enlarge upon it.

* The principle of Bentham's proposal is sanctioned by the legacy and succession duties of England, which exact ten per cent. from strangers, and only one per cent. from children.

† It would be specially interesting to compare the system of exaction practiced by the Greeks, Carthaginians and Romans, in ancient times, and by the Dutch and Portuguese, in modern times, with the English sys-

575. (5.) The sale of offices, honors and titles.

This source of revenue makes a very prominent figure in the history of finance; but has, at present, mainly a curious interest.

The sale of offices, titles, etc., by the state, may fall into several different categories.

(a) The sale of offices of dignity and honor, as in the case of the patents of nobility, granted by James I.* of England, the effect of which merely is to lower the real honor and dignity of such offices, perhaps with only a political and social retribution.

(b) The sale of offices, as under many of the Popes, which carry salaries in the nature of annuities terminable by death, the price paid representing, more or less exactly from the actuarial point of view, the capitalized value of the annuity.

(c) The sale of offices, as once practiced largely in France, which carry exemptions from political burdens and from taxes. This amounts simply to a sale of the rights of the state in respect to taxation, and is, in effect, an anticipation of revenue. A government which was in such straits as to resort to practices like these would be likely to make a very bad bargain for itself; and so in France it proved.

"As the finances became more embarrassed," says M. de

tem of seeking the interest of the mother country, or the conquering country, in the right to impose navigation laws and commercial restrictions, and in the benefits of patronage in officering the public service of colonies and dependencies.

* The sum paid to constitute a Baron was £10,000; a viscount, £15,000, an Earl, £20,000.—Taylor, *Hist. of Taxation in England*.

"The price of the dignity of a Baronet," says Taylor, "was equivalent to £1095, ninety-three of whom were created."

These are instances of the sale of offices to willing purchasers. James' son, Charles I., undertook the sale of his offices to his subjects, *willy nilly*. He revived the feudal practice of "Knight's Fee," and compelled persons holding land of a certain yearly value to come up and be knighted, or submit to a fine for contumacy. Brodie says, "Charles did not restrict it to men of landed property, but included lessees, merchants, and others."—*Hist. Br. Empire*.

Tocqueville, "new offices were created, with exemptions from taxation or privileges by way of salary; and as they were created to supply the wants of the treasury and not the requirements of the public service, an immense number of them were useless or positively mischievous.

"As early as 1664, when Colbert instituted an inquiry into the subject, it was discovered that the capital invested in this miserable business nearly amounted to 500,000,000 livres. It is said that Richelieu abolished 100,000 offices. They rose anew, under fresh names. For a trifle of money, the state bartered away the right of directing and controlling its own servants. The net result of this system was a government machine, so vast, so complicated, so cumbrous, and so inefficient that it was actually found necessary to let it stand idle, while a new instrument, constructed with more simplicity and better adapted for use, performed the work which these countless functionaries were supposed to do."

It was Louis XII. who systematized the sale of offices, and Henry IV. who first sold hereditary ones.

(d) The sale of offices, as notably under the Roman Empire, which carry rights, privileges and exclusive opportunities by which the purchaser may reimburse himself for his outlay, either through a monopoly or through the collection and disbursement of the public revenue.

576. (6.) Domains (L'Etat Capitaliste.)

Even under the modern European principle of the private ownership of land, the state is, in all countries, the possessor of larger or smaller domains from which a revenue may be derived.

It is the habit of writers on finance to speak, and perhaps justly, in the most disparaging tone of the administration of public estates, for productive uses.* Adam Smith expresses

*M. Leroy Beaulieu dwells upon the distinction between the property of the State, which is left to the enjoyment of the community, or which is devoted to government uses, and that which is sought to be administered productively. The former he terms *domaine public*; the latter *domaine privé de l'Etat*.

himself in the strongest terms. "The servants of the most negligent master are better superintended than the servants of the most vigilant sovereign." Referring to his own country, he says: "The crown-lands of Great Britain* do not, at present, afford the fourth part of the rent which could probably be drawn from them, if they were the property of private persons. If the crown-lands were more extensive, it is probable they would be still worse managed." And, not to disparage English administration too greatly, he adds: "In the present state of the greater part of the civilized monarchies of Europe, the rent of all lands in the country, managed as they would probably be if they all belonged to one proprietor, would scarce amount, perhaps, to the ordinary revenue which they levy upon the people, even in peaceful times."

However much this statement might require to be modified with respect to the management of government property in a country like Germany, with its admirable civil service and its systematic administration of public trusts, no one would think of questioning the full literal truth of Adam Smith's declaration if applied to our own country, with its civil service based upon the principles of rotation in office and appointment as the reward of partisan activity.

Of the present European States, Russia, Prussia, Bavaria, Sweden, and Hanover, derive considerable revenue from pub-

*Did our space allow, it would be interesting to refer to the alienations and resumptions and renewed alienations of the Crown-lands, through the reigns of the Tudors and the Stuarts. Strangely enough, it was that model financier, William III., who effected the greatest havoc among the royal domains. One can scarcely read of the wholesale squandering of the property of the Crown by this monarch, without the suspicion that he clearly saw the coming on of the modern system of finance, when the necessities of the state should be met, no longer by rents and fines and forfeitures and escheats and purveyance, but by systematic taxation; and that, in something like contempt for the feudal sources of revenue, he purposely chose to dissipate the patrimony on which his predecessors had relied. "At the end of William's reign," says Sir E. May, "Parliament, having obtained accounts of the state of the land revenues, found that they had been reduced by grants, alienations, incumbrances, reversions, and pensions, until they scarcely exceeded the rent-roll of a squire."

lie domains, the first named being so pre-eminent in this respect that M. Cherbuliez * mentions it as almost the only state which draws a notable proportion of its revenue from such a source.

577. (7) State Enterprise (L'Etat Entrepreneur).—Whatever the disabilities of the state in acquiring a revenue from the rental or sale of property, whether that consist of agricultural lands, or mines, or forests, or fisheries, or phosphate deposits, those disabilities are greatly increased when the state undertakes the management of commercial or manufacturing business.† The state as capitalist is at no small disadvantage; as entrepreneur, that disadvantage is vastly aggravated.

Yet the rule of failure, on this side of governmental agency, is not unbroken. Dr. Smith mentions the republic of Hamburg as deriving a considerable revenue from a public wine cellar and from an apothecary's shop. The profits of banking ‡ have been realized in a notable degree by several cities, among them Hamburg, Venice and Amsterdam. The post-office can be made, and has been made, "to pay," and that handsomely. If the post-office in the United States is not a source of revenue, it is because our people have chosen to make it an agency for promoting the settlement of the country. The business of distilling in Russia, of sugar refining in Egypt, and of opium manufacture in British India, have been made the subject of no inconsiderable profit to government,

* Science Economique. Worth mentioning in this connection are the sugar plantations, private property of the Khedive of Egypt, the guano deposits of Peru and Chili, and the mahogany forests of Honduras, on the credit of which vast loans have been obtained, within recent years, in the London market.

† Adam Smith remarks that no two characters are more inconsistent than those of trader and sovereign. "If the trading spirit of the English East India Company rendered them very bad sovereigns, the spirit of sovereignty seems to have rendered them equally bad traders."

‡ The Prussian Bank in 1874 declared dividends of 12 3-4 per cent. One-half the net gains of the bank go to the state. The United States was a partner to the extent of one-fifth in the bank of 1791-1811, and again in that of 1816-1836.

The supply of towns in the matter of water, and, in a smaller number of instances, of gas, has been attempted, not unsuccessfully, by municipal governments.

The instance which goes furthest to contradict the generally received opinion of the hopeless incapacity of the state to conduct industrial enterprises, is afforded by the railways of Germany.

578. III. Quasi Taxes.—The following may be named as sources of revenue under this head:

(1.) Monopolies conferred upon individuals or corporations, in consideration of a capital sum paid down, or of a share in the resulting profits.

Monopolies have played a conspicuous part in the history of public revenues; and, in spite of the spirit of the age which is, in general, strongly opposed to exclusive privileges of manufacture and sale, they still form a prominent feature in the budget of many countries of Europe.

Monopolies may be commercial, industrial or financial. The distinction between the monopolies of the past and those of the present day is marked. Formerly monopolies were granted, for the profit of the government, to persons and corporations to carry on a vast variety of operations,* great and small alike, most of which were susceptible of private management.

* The story of the rapid extension of monopolies in England under Elizabeth, of the indignation aroused thereby throughout the realm, and of the submission of the haughty Tudor to the rising storm, is familiar to every school-boy. Hume remarked that, had Elizabeth's system of monopolies been continued, the England of his day would have contained as little industry as Morocco or the coast of Barbary.

Charles I. played the same game as Elizabeth, and aroused an equal popular indignation, until even the subservient judges kicked at the restraints everywhere imposed upon trade.

Says Brodie, after referring to the soap monopoly: "Almost every article of ordinary consumption, whether of manufacture or not, was exposed to a similar abuse; salt, starch, coals, iron, wine, pens, cards and dice, beavers, felts, bone-lace, etc., meat dressed in taverns, tobacco, wine casks, brewing and distilling, lamprons, weighing of hay and straw in London and Westminster, gauging of red herrings, butter-casks,

Such were the monopolies of the 17th and 18th centuries. To-day, under the light of political economy, all prudent governments restrict the principle of monopoly to a very few highly important interests, and, by preference, to those which in their nature tend toward monopoly. Thus Bentham, that arch enemy of monopolies, proposed the collection of large revenues from bankers, who were to be compensated by a monopoly within their several districts, on the ground that banking was a business tending to monopoly.

In the same way, taxes on railway goods and passenger traffic in England and France have been defended, even by free-traders, on the ground that railway transportation is necessarily very much of a monopoly; that full and effective competition can rarely be introduced and never long maintained; and that the state may, therefore, accepting the fact of a substantial monopoly, properly derive a profit therefrom.

But there are also certain special interests of great commercial importance, in every way fitted for private management, which, on account of their high capability for yielding revenue, some enlightened nations still constitute exceptions to the principle of open public competition.

Among the subjects thus specially excepted from the principle of competition, are opium, salt, tobacco and matches.

579.—(2.) Lotteries. This needs only to be mentioned as a source of revenue largely made use of, in the past, and still forming an important feature in the budgets of many civilized countries. Of the moral and social objections* to this system of raising money, we are not called to speak here. Economically speaking, there can be no doubt that, while lotteries afford a most effective means of securing a present revenue,

kelp and seaweed, linen cloth, rags, hops, buttons, hats, gutstring, spectacles, combs, tobacco, pipes, etc., saltpeter, gunpowder, in short, articles down to the sole gathering of rags, were all under the fetters of monopolies, and consequently deeply taxed."

* It is to be noted that the laws against private lotteries which, doubtless, did much to educate that public sentiment which now makes even public lotteries impossible in many countries, originated in the desire to secure to the state the profits of this source of gain.

appealing, as they do, to one of the strongest passions of human nature, they yet, in their ultimate effect, weaken the state by discouraging patient industry, and thus impair the revenue capabilities of any people among whom they come to be extensively employed. In two of the states of the American union, lotteries are still conducted under government patronage. Every one is familiar with them as agencies for collecting money for charitable and religious associations.

580.—(3.) Purveyance.—The right of buying provisions and other necessities for the use of the royal household, at an appraised valuation, in preference to all other purchasers and even without the consent of the owner, might have been included among the "lucrative prerogatives" mentioned under a former head, or may indifferently be regarded as a quasi tax. Once extensively practiced, purveyance is now greatly restrained and confined, and in almost all highly civilized countries is wholly discontinued—except during actual war, or in the case of a royal progress.

581.—(4.) Fees.—A fourth mode of raising revenue, which partakes largely of the nature of a tax, without bearing its form, is through the exaction of fees for stated or occasional services performed by the agents of the State.

So far as fees are, in the phrase of Garnier, not *fiscal*, that is, so far as they constitute merely a return for the expense to which the individual receiving the benefit has put the state, on his own behalf, they do not come under the present title. We are only concerned here with fees exacted by the state as a means of revenue, in excess of the expense to which the state is put by the performance of the service, and where, perhaps, the so-called service is itself interposed only as an occasion for the imposition of a tax, as in the case of many custom-house services.

Into the same category would properly fall all the fees exacted from individuals where the main benefit is received by the community, even though the aggregate of such receipts should not equal the expense to the state of maintaining some necessary service. Judicial fees are often of this nature, the cost of obtaining the adjudication of a great principle having

been formerly thrown upon single individuals, who were frequently less benefited than thousands of others by the decisions reached. This system was fiercely attacked by Bentham.

"Who goeth to warfare at any time at his own charges? saith St. Paul. It is the poor litigant who makes war upon injustice."

It is also fairly a question whether the maintenance of the ordinary roads of a country is not, in such a sense and in so far, a general charge, that fees, under the name of tolls, constitute a *quasi tax*, instead of being, according to the assumption on which they are collected, the price paid by the individual for a service rendered to himself directly and exclusively.

Of other forms of quasi taxes (5) seigniorage on the coin, and (6) the issue of paper money, enough has been said in Part III.

582. IV. Taxation in its Various Forms.—Taxation may be considered (a) according to its ultimate Bases, which may be Rent-bearing land, Wealth, Revenue, Faculty, or Expenditure, one or all of these.

The first we have already discussed under the title "The Nationalization of the Land." A tax on rent, we have seen, is not a general tax. It does not fall upon those members of the community who do not own land. It does not affect the price of produce. It amounts merely to the assumption, or usurpation, as one is disposed to regard it, by the state, of the surplus of produce above the cost of cultivating the no-rent lands.

A tax upon the no-rent lands, either by themselves, or in common with other lands, is a tax on produce.

583. Again, taxation may be considered (b) with reference to the equities of contribution. In this connection we might discuss:

(1.) The Physiocratic theory of Taxation. The French Physiocrats (par. 48) holding, as they did, that land, alone of all agencies of production, yields a return above the cost of production, proposed, thereupon, to make land yield all the

revenue of the state, as a measure both of justice and of political expediency.*

This tax is to be distinguished from the assumption by the state of the Unearned Increment of Land, as proposed by Mr. Mill and his associates. The latter, as we have seen, would not raise the price of produce. The former would do so, and was intended to do so.

But, with the complete refutation of the physiocratic theory of production fell the physiocratic scheme of taxation.

(2.) The Social Dividend Theory of Taxation, which is, in effect, that the members of the community should contribute to the public support in proportion to the benefits they derive from the protection of the state, or according as the services they receive cost the state more or cost it less.

(3.) A group of theories respecting the equities of taxation, differing not greatly among themselves, which give rise, respectively, to what we may call the equality-of-sacrifice rule; the rule of contribution-according-to-ability, and the leave-them-as-you-find-them rule.

It is in discussing the theories of this group that the question of progressive taxation arises. That question is common to all the theories of this group.

(4.) We have the view taken by Mr. McCulloch,† in despair of reaching the equities of the case, which may be called the purely economic theory of taxation. The discussion of this theory brings up the whole question of the diffusion or "repercussion" of taxes.

* "Ils établissent d'abord que la terre seule donne un revenu net, c'est-à-dire, un revenu qui excède les dépenses nécessaires pour l'entretien des cultures et des cultivateurs; ils établissent ensuite que ce revenu net est la source qui alimente tous les autres revenus; ils en concluent qu'il est inutile de poursuivre les revenus mobiliers à travers les mille canaux où ils circulent: qu'il est plus commode et plus juste de les atteindre à leur source, et ils aboutissent à la théorie de l'impôt unique sur le revenu foncier."—Clamageran: Hist. de l'Impôt en France.

† "The distinguishing feature of the best tax is, not that it is most nearly proportioned to the means of individuals, but that it is easily assessed and collected, and is, at the same time, most conducive to the public interests."

584. (c.) The foregoing discussions are introductory to the consideration of any specific tax or group of taxes, or existing tax system, respecting which we may inquire how far it answers the requirements of equitable contribution, or, on the other hand, if we abandon the rule of equity altogether—as did Mr. McCulloch—how far it secures to the state the needed revenue, with a minimum of irritation to the public mind, with a minimum of expense and loss in collection, and with a minimum disturbance to trade and industry.

XVI.

THE PRINCIPLES OF TAXATION.

585. *Inadequacy of the Literature of Taxation.*—According to an eminent German financier, Hoffmann, it would be difficult to find, in the whole realm of political economy, a subject more generally misconceived, more disfigured by false views, more degraded by a partial study, than Taxation. "If," adds M. de Parieu, author of the ablest French work on the subject, "this proposition appeared true in a country where the problem of instruction in administration has for a long time been studied, it is probably still more so in France, where the practice is even further separated from the science of administration."

586. The body of English literature in finance is extremely unsatisfactory.* Adam Smith, indeed, gave to taxation about one-fourth of his *Wealth of Nations*; but his treatment shows little grasp of the subject, at any point; while his ignorance of the law of rent goes far to vitiate his general views. Ricardo dealt with taxation, at great length; and as a study of the

* I have been severely blamed for using language even stronger than this, in former editions of this work. I dare say my statements were too sweeping. Mr. Newmarch's papers on public debts and Mr. Gladstone's Budget speeches are never to be mentioned without honor. Mr. Robert Giffen, Prof. Cliffe Leslie, Mr. Inglis Palgrave, and Prof. Thorold Rogers have made important contributions to many questions touching local or imperial taxation.

propagation of an economic impulse from object to object, and from class to class, his discussion is masterly. But Ricardo's underlying assumption of perfect competition has necessarily resulted in conclusions which are widely inconsistent with the facts of industrial society. J. R. McCulloch discussed taxation and the funding system in a distinct treatise, which is not without value. Later English contributions to finance have, with few exceptions, either been trivial in character or have been confined to single phases of the general subject. No great, comprehensive English work on Taxation exists.

587. Perhaps we shall get as good an idea of the inconsequence of the English literature in this department, as can be obtained in any other way, by referring to Adam Smith's maxims respecting taxation. Dr. Smith proposed four maxims,* or principles, "which," says Mr. Mill, "having been generally concurred in by subsequent writers, may be said to have become classical." A vast deal of importance has been assigned by English economists to these maxims. They have been quoted over and over again, as if they contained truths of great moment; yet if one examines them, he finds them, at the best, trivial; while the first and most famous of these can not be subjected to the slightest test without going all to pieces.

588. *The Social Dividend Theory of Taxation.*—"The subjects of every state," says Dr. Smith, "ought to contribute

* "I. The subjects of every state ought to contribute towards the support of the government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

"II. The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.

"III. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.

"IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state."