FINANCIAL REFORM.

CHAPTER I.

TAXATION.

Although it may be impossible to relieve industry from all those taxes which are injurious to it, no attempt can be made towards accomplishing this object, without producing a great public benefit; and as, perhaps, the general distaste for close and accurate reasoning respecting the effects of taxation, may have led to exaggerated notions of the difficulty attending the undertaking, no one ought to feel discouraged from making the attempt to shew,—if, after a full consideration of the subject, he thinks he can do so,—that many taxes might be repealed and many reduced, without any risk
of not securing a sufficient revenue for all the services of the state.

But on entering upon a discussion, having this object in view, it is necessary to make some preliminary remarks on Taxation in general, for the purpose of explaining the circumstances which enable a country to bear a heavy amount of taxes, without being prevented from progressively becoming more industrious, more rich, and more powerful.

It would appear that the pressure of the taxes is too commonly estimated with reference only to the total amount of revenue which is levied by them, without duly considering the amount of the national income, consisting of the incomes of all classes of the community out of which the taxes are paid. But this is a very erroneous way of forming conclusions, with respect to the degree in which the taxes affect the public. For if the income of the country has been going on increasing in a greater proportion than taxation has been increased, the pressure of it will be less, though its amount may be
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double or treble what it formerly was. So also, if the national income shall continue to go on increasing, taxation may be still considerably increased, beyond what it is now, without any real increase of burden on the community.

There is another circumstance connected with the question of the degree in which the taxes are oppressive, which is seldom noticed, namely, the different effects produced by different kinds of taxes. As it is clear, that security and good order are productive of universal advantage, and that without them there would not be any considerable accumulation of wealth, no individual can justly complain, that he is made to contribute, in the same proportion to his means as others, for their attainment; but in selecting the taxes, a great deal of injury may be done to individuals, and to the public at large. If taxes fall on industry, that is, on raw materials, on manufactures, on food, or on the profits of capital, they diminish the employment of capital and labour, and check the accumulation of
new capital. But if taxes fall on persons not in business, who have incomes derived from the rent of land, tithes, dividends on stock, interest on mortgages, salaries under government, and other incomes of the same kind, industry is not injured by such taxes, and the country may go on paying them without any impediment to her becoming richer and richer. So that, before a correct opinion can be formed of the actual effects of taxation, it is necessary to examine and make a distinction, between the portion of taxes which falls on industry, and that which does not.

There is still another circumstance to be mentioned, as connected with the pressure of taxation, which is not often taken into consideration,—namely, the effect of monopolies and protections, in raising the prices of the numerous commodities which are the subjects of them. These monopolies and protections impose, by increased prices, burdens on the public, not for any purpose of common utility or national advantage, but to support some favoured trades.
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If the effect of the corn laws is, at least, to raise the price of corn five shillings a quarter, this advance on the quantity annually consumed, taken at 50,000,000 quarters, creates a charge on the public of 12,500,000l. a-year. If the protecting duties on East Indian and foreign sugars advance the price of sugar only one penny a pound, this advance on the quantity annually consumed, namely, 380,000,000 pounds, is a tax on the public of 1,500,000l. a-year. If the East India Company’s monopoly makes the price of tea (exclusive of duty) double what it is at New York and Hamburch, as is the case, it imposes a tax of at least 2,000,000l. a-year in the form of increased price; and the monopoly of the timber trade enjoyed by the ship-owners and Canada merchants, costs the public at least 1,000,000l. a-year; so that by these monopolies and protections, 17,000,000l. a-year are taken from the pockets of the people, just as if corn, sugar, tea, and timber, were taxed to that amount, and the produce paid into the Exchequer. These monopolies and protections press on
the resources of the country, exactly in the same way as a similar amount of taxation, and thus make the taxes appear to be much more burdensome than they really are.

It is because these circumstances are not duly attended to, that so much is heard of the suffering and injury that the taxes produce; of the ruin they have brought on our manufactures and commerce; and of their having made it impossible for this country to embark in a new war, without encountering the greatest financial difficulties, and incurring the risk of bankruptcy. But these notions are only in part well-founded; for, notwithstanding the very injurious effects of many of the taxes, taxation has not yet been carried to such an extent, as to place this country either in a declining or stationary state with respect to its agriculture, manufactures, and commerce. This is a conclusion come to by reasoning on facts, that shew the continued accumulation of wealth, in defiance of all impediments. It is a conclusion, in no degree originating in any preconceived theory; nor
does it lose any of its claim to have confidence placed in it, by its being directly opposed to the opinion of a number of persons, who maintain that the nation is in a declining state; because these persons wholly omit to sustain that opinion by any reasoning whatever. They merely exclaim, Look at the national debt, the taxes, the distress of agriculture and manufactures; but they forget that the country was in the highest state of prosperity in the years 1823, 1824, and 1825, with the same debt and taxes that now exist; and that similar commercial distress to that which now prevails, is a matter of regular recurrence, and is as regularly followed by recovery, as soon as the disturbed proportion of supply and demand is restored, as it is sure to be, to its proper ratio.

The history of this country shews that temporary interruptions have been constantly mistaken for symptoms of habitual decline; and those persons who now maintain the country is in this state, in ignorance of this historical fact, are committing the same error which has been so often made and so often
exposed. It has been remarked, that the English are more inclined than any other nation to view the dark side of the prospect, to fear every thing, and hope for nothing. Whenever the manufacturers suffer a reduction in their profits, and landlords find a difficulty in obtaining their rents, distress is universally proclaimed, and every one concludes the country is undone.

Similar desponding apprehensions have been publicly avowed at different times, by persons of respectable authority in other respects, in the course of the last hundred and thirty years, during which period the nation has been continually making progress in happiness and prosperity. Dr. Davenant, in describing the state of public affairs in 1699, says, “our gold and silver will be carried off by degrees; rents will fall; wool will sink in its price; our stock of ships will be diminished; farm houses will go to ruin; industry will decay; and we shall have upon us all the visible marks of a declining people.”* In 1736 the Craftsman says, “the

* Essay on the Balance of Trade.
vast load of debt under which the nation groans is the source of all those calamities and gloomy prospects of which we have so much reason to complain: to this has been owing that multiplicity of taxes, which have more than doubled the price of the common necessaries of life, and thereby distressed the poor labourer and manufacturer; disabled the farmer to pay his rent; and put even gentlemen of plentiful estates under the greatest difficulty.* Dr. Chalmers, in describing the state of the country in 1775, says, "yet prosperous as our affairs had been during the short peace of 1763, they were represented by an analogous spirit to that of 1738, either of designing faction or of interested folly, as in an alarming situation. The state of things, it was said, is approaching to an awful crisis. The navigation and commerce by which we rose to power and opulence are much on the decline; our taxes are numerous and heavy; an enormous national debt threatens the ruin of

* No. 502. 14th Feb. 1736.
public credit; our labouring poor are forced by hard necessity to seek that comfortable subsistence in distant colonies which their industry at home cannot procure them.* It would not be difficult to make many additions to the above extracts, were it necessary to adduce further proof that ill-founded apprehensions have led to repeated errors in considering temporary defalcations as infallible symptoms of a fatal decline†. But at the same time it must be confessed that, while there is no reason for placing any reliance on the predictions which are now so confidently made of approaching and inevitable decline, the preservation of what we have acquired, and the future progress of public prosperity, are subjects entitled to inspire deep and constant anxiety.

With respect to the evils which the taxes occasion, the true state of the case is, that

* Estimate, p. 153.
† See Sir John Sinclair's History of the Revenue, Appendix, vol. ii., p. 51., in which extracts are given from twenty-two authors, to shew that the nation was actually undone at different periods between 1688 and 1783.