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J. R. McCulloch

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A Treatise on the Principles and Practical Influence of Taxation and the Funding System

A friend, correspondent and intellectual successor to David Ricardo, John Ramsay McCulloch (1789–1864) forged his reputation in the emerging field of political economy by publishing deeply researched articles in Scottish periodicals and the *Encyclopaedia Britannica*. From 1828 he spent nearly a decade as professor of political economy in the newly founded University of London, thereafter becoming comptroller of the Stationery Office. Perhaps the first professional economist, McCulloch had become internationally renowned by the middle of the century, recognised for sharing his ideas through lucid lecturing and writing. The present work, first published in 1845, has been hailed as ‘the first systematic account of the theory and policy of public finance’. After a general introductory chapter, the book discusses direct and indirect taxation, before considering national debt and how to deal with it. Several other works written or edited by McCulloch are also reissued in the Cambridge Library Collection.

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TAXATION
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T R E A T I S E
ON THE
PRINCIPLES AND PRACTICAL INFLUENCE
OF
T A X A T I O N
AND
T H E F U N D I N G S Y S T E M.

BY J. R. M^cCULLOCH, ESQ.,
MEMBER OF THE INSTITUTE OF FRANCE.

“ Neque quies gentium, sine armis; neque arma, sine stipendiis; neque stipendia sine tributis haberi queunt.”

TACITI HIST., iv. 74.

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P R E F A C E.

CONSIDERING the importance of taxation, both as regards the interest of the public and of individuals, it appears singular that it should have been the subject of but few publications. The policy of particular taxes has, indeed, frequently engaged the attention of the legislature, and given birth to myriads of tracts, which, however, have been, for the most part, of little value. But, though it had been otherwise, the influence of taxation over public prosperity could not be learned from such desultory discussions. It cannot be advantageously treated of in parts, but, to be properly understood and appreciated, must be considered as a whole, and in a general point of view. Little, however, has been done to set it in this light, or to show the way in which the different parts of a fiscal system act upon each other, and its various bearings and incidences on society. That portion of the ‘Wealth

of Nations' which refers to Taxes and Public Debts, the chapters on the same subjects in Mr. Ricardo's 'Political Economy,' and the treatise of Sir Henry Parnell on 'Financial Reform,' are the only works of any eminence on fiscal policy of a comprehensive character that have appeared in this country. But the first of these having been published so far back as 1776, is necessarily in many respects little applicable to the present state of things. Mr. Ricardo's investigations are too abstract to be of much practical utility; and the more recent publication of Sir H. Parnell is but indifferently calculated to supply the deficiencies of his predecessors: being of limited extent, and including lengthened discussions on various branches of the public expenditure, his remarks on taxation are, for the most part, brief and superficial, and he omits, indeed, all mention of several of the most important and difficult questions involved in its discussion.

Under these circumstances we cannot be said to have obtruded ourselves upon a field of discussion already fully occupied. We may have failed to accomplish our purpose, but the purpose itself can hardly be objected to. Our work is intended to supply what is certainly a desideratum in econo-

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mical literature, by furnishing the public with a pretty full exposition of the principles and practical influence of Taxation and the Funding System. In this view we have endeavoured carefully to trace and exhibit the effect of the principal classes of taxes upon the wealth and well-being of the public. We have not, however, confined our researches to the history and influence of the leading taxes imposed in the United Kingdom. These, no doubt, have engrossed the greater portion of our attention, but we have also investigated the influence of some of the more important taxes imposed in other countries. And we are glad to have to state that the result of these inquiries has been thus far satisfactory, that it shows, that, with one prominent exception, there is but little to object to in the principle of the greater number of our taxes; that the abuses and defects with which some of them have been, and continue to be, chargeable, have seldom been occasioned by their being essentially unjust, unfair, or mischievous, but by their having been carried to excess, or by something defective or wrong in the mode of their assessment; and that, consequently, they may be amended with comparatively little difficulty.

The errors which, as we have attempted to show, have been committed in the practice of funding in this country, admit of no remedy. But it is, notwithstanding, of importance that the true principles and proper line of conduct to be followed in respect to such matters should be ascertained; for though the mistakes of a bygone period, and the effects consequent thereon, may no longer be capable of rectification, their repetition may be prevented; and the existing generation, and the generations by which it will be followed, may be taught to avoid and profit by the blunders of the past.

We are not, therefore, wholly without the hope that this work may be of some public utility. If the principles laid down, and the inferences drawn from them, be admitted, they may assist in facilitating the adoption of various salutary reforms, at the same time that they may, perhaps, help to thwart some dangerous projects. At all events, whatever may be thought of this book, the more thoroughly the subjects of which it treats are investigated, the better will it be for the ends of truth, security, and good government. It is no easy matter to ascertain the ultimate incidence and real effect of various taxes; and the loudest clamours

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have frequently been raised against those that were least objectionable, and conversely. But whether the public form a right or a wrong estimate of any subsisting or proposed tax, or of any financial project, its opinion must necessarily have a powerful influence. It is, therefore, of the utmost consequence that it should be disabused of its errors, that it should learn to look a little below the surface, and cease to mistake appearances and declamation for facts and legitimate reasoning. The more the public mind is enlightened on the subject, the less scope will there be, on the one hand, for misrepresentation and exaggeration, and, on the other, the less excuse for obstinately adhering to vicious systems. The national energies will be less likely to be turned towards vain and perilous schemes, while those that are really beneficial will be more likely to be carried forward. “*Promovere i lumi e la curiosità nelle materie de Finanza e di Commercio, sarà sempre la preparazione migliore di tutti per cominciar le riforme.*”—(Verri, ‘Meditazioni sulla Economia Politica,’ ediz. 6^{ta}, p. 214.)*

* We have availed ourselves in a few parts of this work of statements in articles we contributed several years ago to the ‘Edinburgh Review;’ these have been, however, for the most part rewritten.

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Besides this Treatise Mr. M^cCulloch has published the following works, viz. :—

1. A STATISTICAL ACCOUNT of the BRITISH EMPIRE, exhibiting its Extent, Physical Capacities, Population, Industry, and Civil and Religious Institutions. Second Edition. 2 vols. 8vo. London, 1839.
2. A DICTIONARY, GEOGRAPHICAL, STATISTICAL, and HISTORICAL, of the various Countries, Places, and Principal Natural Objects in the World. 2 thick and closely printed vols. 8vo., illustrated with Maps. London, 1841.
3. SMITH'S WEALTH OF NATIONS; with a Life of the Author, Notes, and Supplemental Dissertations. Second Edition. 1 vol. 8vo., double columns. London, 1839.
4. The PRINCIPLES of POLITICAL ECONOMY; with some Inquiries respecting their Application, and a Sketch of the Rise and Progress of the Science. Third Edition. Edinburgh, 1843.
5. A DICTIONARY, PRACTICAL, THEORETICAL, and HISTORICAL, of COMMERCE and COMMERCIAL NAVIGATION. A new and improved Edition, in one large volume 8vo., illustrated with Maps. London, 1844.
6. The LITERATURE of POLITICAL ECONOMY: a Classified Catalogue of Select Publications in the different Departments of that Science, with Historical, Critical, and Biographical Notices. 1 vol. 8vo. London, 1845.

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Page 213, 6th line from top, for “contradictory,” read *contradictorily*.