

CHAPTER VII

TAXATION

TAXES play an important rôle in Tucker's economic system. He recognizes that revenue-raising plans have been responsible for great changes in history.¹ Very many of his "polities" find their sanctions in proposed taxation. An entire "Book" of the great work was to have been devoted to a full development of the subject of taxation. The outline of this book, given in the "skeleton," shows that Tucker had planned to treat this theme as he treats others, viz., first to discuss the theory of taxes in general, and secondly to apply the theoretical principles arrived at to existent British taxes, approving, disapproving, suggesting alterations and additions. Though this outline was nowhere elaborated to completeness by him, it can be measurably filled in by a collect of taxation passages scattered throughout his works. The most serious loss, in the consideration of this subject, is the dissertation upon "the nature, reason, and use of taxes," with which he purposed to open his treatment in the great work. Nowhere does he present this. But a reasonably complete idea of the probably intended content of the remainder of this "Book" on taxation may be ob-

¹ He notes that the Stuart monarchs had a choice: either (1) to command Parliament to levy some tax, and in case they refused, to raise the tax by royal prerogative without asking consent, or (2) to yield to the times in good grace and sue for revenue as a favor. "They chose the former and the result was a civil war which at last begot the expulsion of the family." *Treatise on Government*, p. 66. Cf. *Elements*, pp. 151-153.

tained by a study of all his works. A result of such a study is presented below, under three divisions: I. The tax criterion. II. Application of this criterion to the British tax system. III. Taxation miscellany.

I. TAX CRITERION

Tucker's central taxation principle is stated a number of times in his works. He recognizes that

“Two uses may be made of taxes, a primary and a secondary. The primary use is to support government and to defray the several expenses, military and civil, incurred or to be incurred thereby. . . . The secondary is to provide for these expenses in such a manner as shall render the subjects in general more industrious and consequently the richer and not the poorer by such a mode of taxation. And I do aver that every judicious tax tends to promote the latter of these uses as well as the former.”¹

It is this secondary use which he constantly emphasizes, so much so that the policing and fructifying function of taxes may be called his financial hobby. It is necessary, in his thought, to raise a given revenue, but also quite essential so to levy the taxes as to encourage industry and morality, and to discourage idleness and vice. Indeed, he sometimes regards this latter regulative function as the more important. Thus, he states that

“the sum produced into the exchequer ought not to be so much the principal consideration as the nature and tendency of the tax.”¹

From among the many statements of this fundamental

¹ *Treatise on Gov't*, p. 67.

test for the merit of any tax, the following are selected as fairly conveying his thought:

“A good tax is that which tends to prevent idleness, check extravagance and promote industry. A bad tax on the contrary falls the heaviest of all upon the industrious man, excusing or at least not punishing the idle, the spendthrift, or the vain.”¹

“The nature of taxes is such that they may be compared to the pruning of fruit trees, an operation which all will allow not only to be useful but in some sense necessary. Now if this should be judiciously performed the trees will be much healthier and bear abundantly the better—but if ignorantly and unskillfully done the trees will bear nothing or next to nothing and perhaps will sicken and die away.”²

“If you have a mind to have your people in general honestly and usefully employed lay your chief taxes upon idleness and pleasures. For such taxes will make all people frugal and industrious, and frugality and industry necessarily create wealth. The infallible consequence of wealth is enjoyment and enjoyment is the proper subject for taxation. Thus therefore the circle goes around the more taxes (of this sort) the more riches; the more riches, the more pleasures; the more pleasures the more taxes, etc., or if you prefer to consider the subject in another view then I would say abolish every tax and remove all impediments whatever which might prevent self-love, the grand mover, from operating for the public good. But bar up with high taxes, duties and impositions, all the avenues and bypaths which might make an opening for irregular or corrupt self-love to decline from the great road of private virtue and public happiness. And when you have set this plan once in motion you have all the certainty which is to be expected in human affairs that it will not miscarry.

¹ *Instruct. for Trav.*, p. 36.

² *Treatise on Gov't*, p. 79.

For the daily and hourly collection of the revenue is a constant and never ceasing agent in the execution of your system, whereas all other applications to law and justice can proceed, even at the best, only by fits and starts.”¹

II. THE CRITERION APPLIED

His criterion being determined, he tests, by it, the prevailing systems of British taxes.

He finds:

(1) “The Land tax is become of late years a most excellent tax for the exciting of industry and all kinds of improvements; inasmuch as the increase of produce and advancements of value pay no higher tax than the grounds would have paid had there been no improvement at all. Therefore this impost doth now operate in the very manner which every tax ought and every good one necessarily will do: that is, it punishes the idle and the sluggards for not improving their estates but exempts the diligent and industrious. . . .”¹

(2) “In regard to the excise, many branches thereof are very proper taxes, and fit to be continued; those especially which are laid on intoxicating liquors, or on articles of parade, expense, and pleasure. For, the further any article is removed from the unavoidable wants, the fitter it is to contribute towards the support of the state by paying a tax. And as to intoxicating liquors, they are the farthest removed of any whatever, and the most detrimental to the state in their effects and consequences; therefore in every view, they are the properest to have very high and discouraging duties laid on them.”²

(3) Upon customs duties Tucker takes an unequivocal mercantilist view. His thought upon them has been given in presenting his treatment of mercantilism, which see.

¹ *Elements*, pp. 169-170. Similar statements to those here quoted are in *Essay on Trade*, 3d Ed., pp. 126-127, *State of the Nation*, and *Manifold Causes Inc. Poor*, pp. 6 and 7.

² *Instruct. for Trav.*, p. 38.

(4) "The last article of taxes is the stamp duties; and as some of them are very proper and none of them amiss, we shall here conclude this head of the query with one short reflection, viz., as that tax which promotes labor, and checks idleness, is a very good one, so no others ought to be esteemed absolutely bad, but such only which produce the contrary effect."¹

In further application of his criterion for determining good taxes, Tucker states what particular British taxes should, in his judgment, be repealed:

(1) "The salt tax can have no shadow of an argument to plead in its behalf. For if salt is a good manure for lands, the taxing of salt, is the taxing of manure. And surely all manures are raw materials of the most important, most extensive nature. . . . Further salt is an absolute necessity of life, administering to no pride, vanity, or excess whatever and consequently the most improper to be taxed."²

(2) "The duty on coals is a very pernicious duty and subject to all the objections of the former; only some of them in a lesser degree."¹

(3) "The duty on soap and candles is not a good tax and yet not wholly bad. That part which affects the poor or even the middling people, must certainly be bad. But the soap and candles used by the great, in which the chief consumption and extravagance consist ought to pay a duty; and it would be really a pity that beaux and belles should not contribute something to the support of government in proportion as they frequented balls, assemblies, operas, plays, masquerades, routs, drums, etc., etc."³

(4) "The duty on leather is subject to some objections as it

¹ *Instruct. for Trav.*, p. 39.

² *Ibid.*, pp. 39 and 40.

³ *Ibid.*, p. 40.

affects the poor almost equally with the rich. And yet of bad taxes it is far from the worst."

(5) "The extravagant duty upon the importation of coarse olive oil, a raw material incapable either of excess, vanity, or waste of time, and a most necessary article for our woollen manufactures and in making Castile soap, is one that calls the loudest for redress."¹

And he adds :

"having thus finished the present examination, it may not be improper to add, for the credit of our country and the praise of the legislature, that upon the most impartial survey, there seems to be only these five taxes of any consequence, which can strictly be denominated bad."¹

Additions to the tax system are next considered. As an improvement to the customs system, he advocates the institution of warehouses :

"To permit, though not to oblige, the merchants to land their goods without prompt payment of duties at the custom house. Were this permission granted, those who accepted of it should be obliged to give bond for the payment and to put their goods under the lock and key of the officer by the way of additional security. And then they should be allowed to dispose of their effects and to pay the duties gradually according as they could find purchasers or as they wanted to remove such and such parcels, etc. . . . to their own private warehouses. By these means every merchant could extend his trade and credit . . . because he would need to make no reserves of cash or credit for prompt payments at the custom house ; every merchant also could buy when and where and as much as he pleased on speculation and sustain no loss of interest on that money which must now be advanced to pay the duties

¹ *Instruct. for Trav.*, p. 41.

In short, this single regulation would go a great way towards making Great Britain a magazine and storehouse for other countries, and render her ports free.”¹

The particular additional taxes he suggests are all to be levied according to his general principle that a good tax discourages vice, idleness and extravagance. In the *Instructions for Travellers*, he simply catalogues what he considers to be the proper subjects for added taxation:

“Taxes ought to be laid on dogs, on saddle horses, when exceeding two in number; on livery servants, on all places of public resort and diversion, such as public rooms, music gardens, playhouses, etc., also on booths and stands for country wakes, cricket matches, and horseracing, stages for mountebanks, cudgel-playing, etc., moreover on fives-places, and ballcourts, billiard tables, shuffleboards, skittle alleys, bowling greens, and cock-pits. Also capitation taxes should be levied on itinerant players, lottery men, showmen, jugglers, ballad-singers and indeed on all others of whatever class or denomination, whose very trades and professions have a natural tendency and whose personal interest it is to make other people profuse, extravagant and idle. Lastly the stamp duty might very properly be extended to take in printed songs, novels, romance, music, plays and such like articles of mere amusement, to be stamped in the same manner as almanacs are. Now it is obvious that such taxes as these are so far from impoverishing that they must necessarily enrich every state where they take place.”¹

Tucker’s exceeding great faith in the efficacy of state

¹*Instruct. for Trav.*, p. 42. Tucker was an advocate of this warehousing system from the very first of his published economic works. See *Essay on Trade*, 3rd ed., pp. 108 and 122-126, for a more detailed presentation of this scheme.

action in general, and of taxes in particular, is well shown by his closing sentences on this topic :

“And therefore, let it be laid down as an infallible rule, that in proportion as this system of taxation or its contrary doth prevail in any state throughout the world, in the same proportion doth industry or idleness, plenty or want, riches or beggary prevails likewise. And in short, the course of nature is fixed and cannot be altered.”¹

In the third edition² of his *Essay on Trade*, Tucker elaborated more fully his thought as to new British taxes. In his earlier statement he includes two special taxes not mentioned above, a tax upon bachelors and a “double turnpike tax upon all who travel on Sundays—a modish and reigning vice.” The tax upon bachelors is evidently an outgrowth of his idea that Great Britain needed a larger population. It is rather surprising that he should omit this from the list of desirable new taxes given in the *Instructions*. As was shown in the chapter upon population, he, throughout his life, advocated plans to increase the British population. There is nothing to indicate that he deliberately omitted the bachelor tax³ from the *Instructions*' list.

Tucker once proposed a single tax upon luxuries. His statement, introducing the fully elaborated plan, well illustrates the practical man. He says that his proposals, the

¹*Instruct. for Trav.*, pp. 42-43.

²*Essay on Trade, Appendix, 3rd ed.*, pp. 127-139. A similar list occurs in *Manifold Causes Inc. Poor*, pp. 16-20.

³This bachelor tax was first proposed by Tucker in 1751 in *Spiritous Liquors*; again in 1753 in the *Appendix* to the *3rd Ed. of the Essay on Trade*. Altho omitted in the list of desirable taxes in *Instruct. for Trav.*, it was advocated again in *Manifold Causes Inc. of Poor*, pp. 16-17 (1760). In this latter (p. 20) occurs, again, the Sunday-driving tax omitted also from the *Instructions* list.

taxes on bachelors, dogs, saddle-horses, etc., previous to this single-tax plan,

“ were aimed to change the present system as little as possible, I did not propose some of the above mentioned alterations as what appeared to me the very best which could be devised ; but the best in our present circumstances and the likeliest to succeed. For I am convinced that what I am going to offer is, in itself, a much more effectual remedy, if our constitution is strong enough to admit the application of it.”¹

After presenting the plan, he says of it :

“ This is alright but it will never do ; it is too honest.”

The single-tax plan¹ is too elaborately developed to be given here. The general plan is to take certain luxuries as standards for estimating, and listing for taxation, all incomes, *e. g.*, all persons keeping two coaches and six for their use shall be listed as having incomes of £8,000; those using silver service at the table as having incomes of £4,000; those keeping one coach and six as having £2,000; and so on, down to those having pictures, or more than one mirror, etc., whose incomes listed for taxation shall be £25. Tucker suggests that if each taxpayer were required to pay on each item that he listed at the rate set by the costliest luxury that he consumed, the system would then be the “ most excellent sumptuary law that ever was desired.”

The scheme for levying the tax is ingenious. Parties are to list themselves voluntarily for the first year; and, since the larger the amount listed the lower the rate would need to be to raise needed revenue, neighbors can be depended

¹This “ Plan for raising one only tax on the consumers of luxuries ” is given in the *Essay on Trade, 3rd edition*, pp. 148-168.

upon to report those who live above their listed rating. The tax is to be laid on the first year without removing others, and these others are then to be gradually removed as the single tax becomes adequate as a revenue-raiser.

An argument, in an illustrative case, that this tax would be less of a burden to a given taxpayer than the more expensively collected direct and indirect taxes then in use, completes the presentation of this taxation scheme by which "sunshine of commerce and plenty would be diffused equally." It is to be borne in mind that Tucker offers this single tax on luxury as an ideal only. He presents it merely as *addenda* to the 1753 edition of the *Essay on Trade*, and nowhere later refers to it. The taxation plan that appeared feasible and practically desirable to him is outlined above.

Tucker makes it very clear that his intent, in his practicable plans, is not to advocate taxation upon consumption in general, but to advocate the raising of taxes by such levies as will discourage idle, vain and extravagant consumption. He states this position most clearly in a letter to historian Hume, written in 1769. Since this letter gives his mature theory of taxes, in a summary made by himself, for the correction of both Hume and Turgot, in their misapprehensions of his taxation system, it is worthy of presentation here entire, as being perhaps the most important declaration upon the subject of taxes to be found in any of his writings:

"I beg leave to observe that both you and Mr. Turgot have greatly mistaken my meaning, that I am a friend to taxes upon 'consummation' in general. I mean no such thing. On the contrary my system is, that every country throughout the universe, ought to endeavor to render industry very cheap and idleness very dear; and that therefore it ought to encourage all kinds of occupations tending to promote the former, by free-

ing them from all shackles and restraints and more especially, excepting them from taxations and impositions as much as possible. Whereas, it ought, on the other hand, to put a check upon those which subsist themselves by the idleness, drunkenness, extravagance, etc., of other people by subjecting them to discouragements, and by loading them with judicious taxes. And, were this the place for a dissertation of this nature, I think I could prove with an evidence not easily to be resisted, that taxes of this sort will always enrich a nation, instead of impoverishing it; nay that they will, in their consequences, and as the vulgar say, in the long run, multiply the number employed in those very occupations which they seemed intended at first sight to destroy or to starve.

“But to keep within the bounds of a letter, I would only ask you a plain, simple, question, viz., would you wish that there was no tax upon spiritous liquors? Would you choose, if you had the option that the good people of England should get drunk for a penny rather than that it should cost them six pence? and, suppose that they will procure a *quantum sufficit* of this liquor at some price or other, which is better for the public that they should be compelled to work twelve hours before they can procure their intoxicating draught, or be able to purchase it by the labor of only one hour?

“You see my dear sir, that I leave Christianity and a future state entirely out of the question; for I would not affright you with any apprehensions that I was going to write a sermon. And yet, I think that you must agree with me, that the hand of the diligent, considering only the present state of things, is the only hand which can make rich in a national view and that idleness, drunkenness, and extravagance of every kind must make poor.”¹

¹*Letters of Eminent Persons addressed to David Hume, etc.* (edited by J. H. Burton, Edinburgh and London, 1899), pp. 176 and 177.

III. TAXATION MISCELLANY

There are scattered observations respecting taxes in Tucker's works which indicate that, had he developed his taxation treatise as designed in the plan for the great work, he would have given a quite complete survey of the subject.

a. ABILITY-TO-PAY CANON

Lying back of both his practical and his theoretical taxation systems, as outlined above, is the criterion, ability to pay. He expressly states this as the test for equitable taxes in his *Tract III*, where he says, that whether or not a given tax is excessive "must depend upon the relative poverty and inability of those who are to pay it."¹

b. INCIDENCE

In his discussion of the union between England and Ireland, he raises the question of incidence by inquiring whether any of the English taxes "really fall on the laboring poor."² In answering this question, he observes that both customs duties and excises are borne by the final consumer.

c. COLLECTION

In his plan as outlined in the "skeleton,"³ Tucker was to devote an entire section to a consideration of "regulations for the most frugal methods of collecting the revenue, and the most serviceable to trade and industry." He nowhere fulfils this promise, but, in connection with special-tax plans⁴ he is suggesting, he states what appears to him to be

¹ *Four Tracts*, p. 123.

² *Union or Separation* p. 6. The discussion of incidence referred to occupies pp. 6-10.

³ See *Appendix* of this volume.

⁴ See *Manifold Causes Inc. Poor*, pp. 22 and 23, and *Essay on Trade*, 3rd ed., pp. 158 seq.

the wisest way to collect the particular tax being considered. He notes "the expensive manner of collecting our customs," etc.,¹ and writes to M. Necker:

"The inequality of taxes and host of collectors within your kingdom Englishmen cannot understand."²

d. DISTINGUISHES HIGH FROM HEAVY TAX

Tucker distinguishes between a high tax and a heavy tax:

"High taxes are one thing and heavy taxes are another. And it is as evident as any proposition in Euclid that a kingdom may be beggared by a tax that produces no more than 50,000£ a year and enriched by another that produces 5,000,000 £. In short if taxes are so laid on as to check or stop the circulation of industry and labor, how can that kingdom be rich? But if they tend to promote and encourage it, how can such a kingdom be poor?"³

e. SMUGGLING

Plans for preventing smuggling are developed several times in Tucker's works, most fully in *Spirituuous Liquors*.⁴ They include the incorporation of the islands of Guernsey, Jersey and Man under the British crown, establishment of king's warehouses for French wines and tobacco, and reorganization of the coast patrols and of methods for paying customs officials. There is never a hint to abolish duties, and thus destroy incentive to smuggle.

¹ *Essay on Trade*, p. 43.

² *Cui Bono*, p. 29.

³ *2nd Lett. on Naturalization*, pp. 13-14. Similar statement with argument and illustration by supposing a single tax of £20 per year upon every plow and vehicle: *Treat. on Gov't*, pp. 79-80.

⁴ *Spirit. Liq.*, pp. 16-21.

f. LOTTERY

To secure funds for erecting cottages, in his scheme for reclaiming waste lands, by placing militia upon them, Tucker proposes "a guinea lottery, one-half to go to the adventurers in prizes and the other half to cottagers." But he does not consider the lottery an ideal way to raise taxes, as is proven by his apology for suggesting such a plan:

"I would wish to apologize for having recourse to any scheme whose principles cannot be defended and whose example is so contagious. The only excuse I can make is this: That it having been found, by long experience, that men and women are become so corrupt that they will gamble under one denomination or another in spite of all our laws—therefore the best use that can be made of this national infatuation is to draw good out of evil and to turn this general insanity into a public benefit."¹

g. NATIONAL DEBT

There are but two finance topics, aside from taxation, of which Tucker treats. One, the plan for issuing small national bonds to induce small savings, has already been presented in the chapter upon money; the other is the national debt in general. Tucker makes two points with reference to the public debt: (a) It should not be allowed to increase indefinitely. (b) The burden of a national debt is relative to the wealth of the country. These positions are taken in "State of the Nation," where he suggests a comparison of the national debt of 1759 with that of 1777:

"great it (the debt) undoubtedly is—by much too great to be suffered to accummulate any farther if it can be possibly avoided. But, comparatively speaking, it is not so great at

¹ *Reflections on Wools*, pp. 38-39.

present as it was in the year 1759. For if the nation is now much richer, then it follows that we may be much better able to bear an equal or a greater load of national debt But nevertheless . . . I do not offer . . . any apology . . . or encouragement for running any farther into debt if we can possibly avoid it.”