

CHAPTER XII

Of the Revenues and Expenses of a Government, and of its Debts.

THIS subject is still very vast, although it is but a part of that of which we have just treated. Many writers would divide it into three books, which they subdivide each into several chapters: but I prefer not to separate these matters, that I may not cause my readers to lose sight of their mutual dependance; and I feel the necessity for considering them principally in mass, and under a general and common aspect. This will not prevent me from entering also into details, and from distinguishing the particular cases which are really different, perhaps even with more exactitude than has been hitherto done.

In every society the government is the greatest of consumers. For this reason alone it merits a separate article in the history of consumption, without which it would be incomplete. But for the same reason, also, we can never perfectly comprehend the economical effects of government, and those of its receipts and expenditures, if we have not previously formed a clear and exact idea of general consumption, of its base, and of its progress.

The same errors which we have just combated will re-appear here. Those who think that agricultural labours alone are productive, do not fail to say that in the end all imposts fall on the proprietors of lands, that their revenue is the only taxable matter, that the territorial impost is the only just and useful one, and that there ought to be no others; and those who persuade themselves that consumptions can be a cause of direct riches, maintain that the levies made by government, on the fortunes of individuals, powerfully stimulate industry; that its expenses are very useful, by augmenting consumption; that they animate circulation; and that all this is very favourable to the public prosperity. To see clearly the vice of these sophisms, we must always follow the same track, and commence by well establishing the facts.

In the first place, there is no doubt but that a government of some sort must be very necessary to every political society; for its members must be judged, their affairs must be administered, they must be protected, defended, guaranteed from all violence; it is only for this that they are united in society. It is no more doubtful, but that this government must have revenues since it has expenses to incur. But this is not the present question. The question is, to know what effects these revenues, and these expenses, produce on the public riches and national prosperity.

To judge of them—since government is a great consumer, and the greatest of all,—we must examine it in this quality, as we have examined the other consumers, that is to say we must see from whence it receives the funds of which it disposes, and what use it makes of them.

A first thing very certain is, that government cannot be ranked amongst the consumers of the industrious class. The expenditure it makes does not return into its hands with an increase of value. It does not support itself on the profits it makes. I conclude, then, that its consumption is very real and definitive; that nothing remains from the labour which it pays; and that the riches which it employs, and which were existing, are consumed and destroyed when it has availed itself of them. It remains to be seen from whence it receives them.

Since the moral person, called government, does not live on profits, it lives on revenues. It derives these revenues from two sources. It possesses estates in land, and it lays imposts. As to its estates in land, it is absolutely in the same situation as the other capitalists whom we have called idle. It leases them and receives a rent; or if they are forests, it annually sells the timber cut. The care taken of forests, and which principally consists in preserving them, does not merit the name of industrious labour. The real labour which gives them a value is that which consists in felling them, in selling and transporting them. If they belonged to him who fells them, he would receive all the profit. The price annually paid for the privilege of felling them ought to be regarded as a rent levied on the industry of the person who fells them: a rent absolutely similar to that derived from a fishery, yearly rented to him who has the industry to take the fish. Thus the revenues, derived from the estates belonging to government, are, like those of all other rural property, created by the industrious men who work them, and levied on their profits.

Many politicians do not approve of government having landed estates: it is very true, that as it is by no means a careful proprietor its managers must necessarily be very expensive and little faithful. Thus it does, with much unskilfulness, what another proprietor would do better. But it must be remarked, that this unskilfulness does not diminish, or diminishes very little, the total mass of the production of these estates: for the quantity of the production of the lands depends little on those who manage them, but almost entirely on those who work them. Now nothing prevents these lands being as well cultivated, and their timber cut down and sold, with as much intelligence as those of an individual. The defect in their management consists in employing a few more men than is necessary, and in paying them a little too dear. Now this is no very great inconvenience.

I, on the contrary, see many advantages in the governments having possessions of this kind. First, there are some kinds of productions which it alone can preserve in great quantity: such are forests of large timber, the productions of which must be so long waited for, that for the most part individuals prefer the same, or even a smaller quantity of more frequent returns. Secondly, it maybe good that the government should possess cultivated lands. It will be better able to know more perfectly the resources and the interests of different localities; and, if it is wise and benevolent, it may even profit by this to diffuse a useful knowledge. Thirdly, when a great mass of landed property is in the hand of government, less remains at market. Now as this kind of possession is always greatly desired, all things otherwise equal, the less there is to be sold the clearer it will sell, that is to say that for a sum of one hundred thousand francs the buyer will be contented to receive four or even three thousand francs of revenue instead of five; and this will reduce the rate of interest of money in its various employments, which is a great advantage. Fourthly, and this consideration is the most important of all,—all that the government annually draws from these estates is a revenue, which it levies on no one. It comes to it from its own property, as to all other proprietors; and it is so much in diminution of what it is obliged to procure by imposts. In fine, in a case of necessity it may, as an individual, find a resource in the sale of its estates without having recourse to loans, which are always a great evil, as we shall soon see.

For all these reasons I think it very happy for government to be a great proprietor, especially of forests and large farms. One circum-

stance only would be to be regretted, that this would prevent these estates from falling into the hand of the industrious class. But we have seen on the subject of agricultural industry, that from the nature of things property of this kind can seldom be in the possession of those who work them, because this would take from them too great a portion of their funds. Now I had rather they should belong to government, than to any other capitalist living on revenue.

On the whole, our modern governments in general possess but little landed property. It is not that they have not almost all declared their domains inalienable, but they have also almost all sold or given a very great part of them. The true revenue on which they calculate is that of imposts; it is then this which we should take into consideration.

By means of imposts, the government takes from individuals the wealth which was at their disposition, in order to expend it itself; these then are always sacrifices imposed on them.

If this sacrifice bears on the men who live on their revenues, and who employ the whole of them on their personal enjoyments, it would make no change in the total mass of production, consumption and general circulation. All the difference would be, that a part of the wages which these men paid, would be paid by government with the money taken from them: this is the most favourable case.

When the impost falls on industrious men, who live on profits, it may only diminish their profits. Then it is that part of these profits which these men employ in their personal enjoyments which is attacked. It is these enjoyments which are diminished; and the impost has the same effects as in the preceding case. But if it goes so far as to annihilate the profits of the industrious men, or even to touch on the funds of their industry, then it is this industry itself which is deranged or destroyed; and consequently production, and in the end the general consumption are diminished by it. Suffering prevails every where.

Finally, where the impost falls on the hirelings, it is evident they begin to suffer. If the loss rests entirely on them, it is a part of their consumption which is suppressed; and which is replaced by that of those whom the government pays with the money taken from them. If they are able to throw it on those who employ them by raising the price of their wages, it is then necessary to know by whom they are employed; and, accordingly as they are in the employ of idle or industrious capitalists, this loss will have one of the two effects which we have just described in speaking of these capitalists.

I think this preliminary explanation must appear incontestable, after the elucidations we have given in speaking of consumption. At present the great difficulty is to find on whom the loss occasioned by the impost really falls: for all imposts do not produce the same effects, and thus are so multiplied that it is impossible to examine every one separately. I think it best to arrange under the same denomination all those which are essentially of the same nature.

All imaginable imposts, and I suppose they have all been imagined, may be divided into six principal kinds,* viz. First, The impost on the revenues of lands, such as the real tax, the twentieth the manorial contribution in France, and the land tax in England. Second, That on the rent of houses. Third, That on the annuities due from the state. Fourth, That on persons, as the capitation and poll tax, sumptuary and furniture contributions, on patent rights, on charters and freedom of corporations, &c. &c. Fifth, That on civil acts and certain social transactions, as on stamps, and registers, on vendues, the hundredth penny, amortisement, and others; to which we must add the annual impost on annuities charged on one individual by another, for there are no means of knowing of these investments, donations, or transmissions, but by the depositories which preserve the acts establishing them. Sixth, That on merchandise, whether by monopoly or sale, exclusive, or even forced, as formerly of salt and tobacco in France; or at the moment of their first production, as the taxes on salt ponds and mines, and part of those on wines in France and on breweries in England; or at the moment of consumption, or on their passage from the first producer to the ultimate consumer, as the customs interior and exterior: the tolls on roads, canals, postage, and at the entrance of cities, &c. &c.†

*This is in my opinion the best method of classing them, to give a clear account of their effects.

†A note communicated to the Editor. Our author's classification of taxes being taken from those practised in France, will scarcely be intelligible to an American reader to whom the nature as well as names of some of them must be unknown. The taxes with which we are familiar class themselves readily according to the basis on which they rest. 1. Capital. 2. Income. 3. Consumption. These may be considered as commensurate; consumption being generally equal to income; and income the annual profit of capital, a government may select either of these bases for the establishment of its system of taxation, and so frame it as to reach the faculties of every member of the society, and to draw from him his equal proportion of the public contributions. And if this be correctly obtained, it is the perfection of the function of taxation. But

Each of these imposts has one or several manners, peculiar to itself, of being burdensome.

At the first glance, we may see that the tax on revenues from land has the inconvenience of being difficult to assess with justice, and of annihilating the value of all those lands whose rent does not exceed the tax or exceeds it by too little, to determine any one to incur the inevitable risques, and the expenditures requisite for putting these lands into a state for cultivation.

The tax on house rent, has the defect of lessening the profit of speculations in building; and so of deterring from building houses to rent, so that every citizen is obliged to content himself with habitations less healthy, and less convenient, than those he might have had at the same rent.*

when once a government has assumed its basis, to select and tax special articles from either of the other classes is double taxation. For example, if the system be established on the basis of income, and his just proportion on that scale has been already drawn from every one, to step into the field of consumption, and tax special articles in that, as broadcloth or homespun, wine or whiskey, a coach or a waggon, is doubly taxing the same article. For that portion of income, with which these articles are purchased, having already paid its tax as income, to pay another tax on the thing it purchased, is paying twice for the same thing. It is an aggrievance on the citizens who use these articles in exoneration of those who do not, contrary to the most sacred of the duties of a government, to do equal and impartial justice to all its citizens.

How far it may be the interest and the duty of all to submit to this sacrifice on other grounds, for instance, to pay for a time an impost on the importation of certain articles, in order to encourage their manufacture at home, or an excise on others injurious to the morals or health of the citizens, will depend on a series of considerations, of another order, and beyond the proper limits of this note. The reader, in deciding which basis of taxation is most eligible for the local circumstances of his country, will of course avail himself of the weighty observations of our author.

*I do not avail myself against this impost of the pretensions of some economists, that the rent of houses ought not to be taxed, or at least but in proportion to the nett revenue which would be yielded by the cultivation of the land occupied by these houses, all the rest being only the interest of the capital employed in building, which according to them is not taxable.

This opinion is a consequence of that which considers agricultural labour as alone productive, and that the revenue of land is the only thing taxable, because there is in the produce of land a part purely gratuitous and entirely due to nature; which portion, according to these authors, is the only legitimate and reasonable subject of taxation.

I have shown that all this is false, therefore I cannot avail myself of it either against this or any of the following imposts; which are all not only reprobated in this system, but are declared illusory, as never being nor possible to be, any thing but an impost

A tax on annuities due from the state is a real bankruptcy, if established on annuities already created, since it is a diminution of the interest promised for a capital received; and it is illusory if established on them at the moment of their creation, for it would have been more simple to have offered in the first instant an interest lessened by the amount of the tax, which would have come to the same thing.

A tax on persons gives occasion to disagreeable scrutinies to assess it justly, according to the fortune of every one; and can never rest but on arbitrary bases and very uncertain knowledge, as well when attempted to be assessed on riches already acquired as when intended to bear on the means of acquiring them. In the latter case, that is to say, when it is predicated on the supposition of any kind of industry whatever, it discourages that industry, and obliges it to rise in price or to be abandoned.

The tax on civil acts, and in general on social transactions, cramps the circulation of real property, and diminishes their market value, by rendering their transfer very expensive; augments so much the expenses of justice that the poor dare no longer defend their rights; renders all business perplexing and difficult; occasions inquisitorial researches, and vexations by the agents of the revenue; gives rise in these acts to concealments, and even to the insertion of deceptive clauses and valuations, which open the door to much iniquity and give rise to a multitude of contentions and misfortunes.

As to taxes on merchandise, their inconveniences are still more numerous and complicated; but are not less disagreeable nor less certain.

Monopoly, or a sale exclusively by the state, is odious, tyrannical, contrary to the natural right which every one has of buying and selling as he pleases, and it necessitates a multitude of violent measures. It is still worse when this sale is forced, that is to say when government obliges individuals, as has sometimes been done, to buy things they do not want, under pretext that they cannot do without them, and that if they do not buy them it is because they have provided themselves by contraband.

A tax, levied at the moment of production, evidently requires on the part of the producer an advance of fund, which being long without returning to him greatly diminishes his means of producing.

on the revenue of lands, disguised and additionally charged with useless expenses and losses. Such a theory is untenable when we know what is production.

It is not less clear that all imposts levied either at the moment of consumption or during the transportation from the producer to the consumer, cramp or destroy some branch of industry or of commerce; render scarce, or costly, necessary or useful articles; disturb all enjoyments, derange the natural course of things; and establish, between the different wants and the means of satisfying them, proportions and relations which would not exist but for these perturbations, which are necessarily variable, and which render the speculations and resources of the citizens inevitably precarious.

Finally, all these taxes whatsoever on merchandise occasion an infinity of precautions and embarrassing formalities. They give place to a multitude of ruinous difficulties, and are necessarily liable to be arbitrary; they oblige actions indifferent in themselves to be constituted crimes, and inflict punishments often the most cruel. Their collection is very expensive, and calls into existence an army of officers, and an army of defrauders, men all lost to society, and who continually wage a real civil war, with all the grievous economical and moral consequences which it brings on.

When we attentively examine each of these criticisms on the different taxes, we see that they are well founded. Thus, after having shown that every impost is a sacrifice, we find that we have also shown that every impost has, besides, a manner peculiar to itself of being hurtful to the contributors. This is already a great deal, but it does not yet teach us on whom precisely falls the loss resulting from the impost, nor who it is that really and definitively supports it. Yet this latter question is the most important, and absolutely necessary to be resolved in order to judge of the effects of taxes on the national prosperity. Let us examine it then with attention, without adopting any system, and adhering scrupulously to an observation of facts, as we have done hitherto.

As to the tax on the revenues of land, it is evident that it is he who possesses the land, at the moment in which the tax is established, who pays it really without being able to throw it on any one. For it does not give him any means of augmenting his productions, since it adds nothing either to the demand for articles, or to the fertility of the soil; and does not in any degree diminish the expense of cultivation. All assent to this truth. But what has not been sufficiently remarked, is, that this proprietor ought to be considered less as having been deprived of a portion of his yearly income, than as having lost that part of his capital, which would produce this portion of income at the current rate

of interest. The proof is, that if a farm, yielding annually five thousand francs nett rent, is worth an hundred thousand francs—the day after it shall have been charged with a perpetual tax of a fifth, all other things equal, it will not command more than eighty thousand if offered for sale; and it will be stated but at eighty thousand francs, in the inventory of an inheritance which contains other articles whose value have not been changed. In effect, when the state has declared that it takes in perpetuity the fifth of the income of lands, it is as if it had declared itself proprietor of the fifth of the capital, for no property is worth but the utility which may be derived from it. This is so true, that when, in consequence of a new impost, the state opens a loan, for the interest of which it pledges the revenue it has seized, the operation is consummated; it has really received the capital, it had appropriated, and has made away with the whole at once, instead of annually expending its income. It is as when Mr. Pitt took at once from the proprietors the capital of the land tax with which they were charged: they were liberated and he swallowed his capital.

From hence it follows, that when once all the land has changed owners since the establishment of the tax, it is no longer really paid by any one. The purchasers having bought only what was left, have lost nothing; the heirs having succeeded but to what they found, the surplus is to them as if their predecessors had expended or lost it, as in effect they have lost it. And, in case of inheritances abandoned as of no value, it is the creditors who have lost the capital taken by the state from the property which was security for their debt.

It follows likewise from this, that when the state renounces the whole or part of a territorial tax, anciently established as a perpetuity, it purely and simply makes a present to the actual proprietors of the lands of the capital of the revenue which it ceases to demand. It is as to them a gift absolutely gratuitous, to which they have no more right than any other citizens. For none of them calculated on this capital, in the transactions by which they became proprietors.

It would not be absolutely the same, if the impost had been originally established only for a determinate number of years. Then there would really have been taken from the proprietor but a part of the capital corresponding to this number of years. The state, likewise, would have borrowed but this value from the lenders, to whom it might have pledged this impost for the payment of their principal and interest; and the lands would have been considered in the transaction but as deteri-

orated to this amount. In this case when the tax ceases, as when the corresponding dividends of the loan are exhausted, it is on both sides a debt extinguished, because it is paid. On the whole the principle is the same, as in the case of a tax and of a perpetual rent.

It is then always true, that when a tax is laid on land, a value equal to the capital of this tax is taken at once from the actual proprietors, and that when all have changed owners, since the establishment of the tax, it is really no longer paid by any one. This observation is singular and important.

It is absolutely the same with the tax established on the rent of houses. Those who possess them at the moment it is established support the entire loss, for they have no means of indemnifying themselves. But those who buy them afterwards pay for them but in proportion to the charges with which they are incumbered. Those who inherit them, reckon them, in like manner, but at the value which remains; and as to those who build subsequently, they make their calculations according to the state of things as they are established. If no room is left for useful speculation they defer building until the effect of scarcity raises rents. As, on the contrary, if it was extremely advantageous there would soon be funds enough employed therein to make it no longer preferable to any other employment of them. We conclude again that the proprietors on whom the impost falls, lose the entire capital, and that when all are either dead or expropriated, this impost is paid but by those who have no right to complain of it.

We may say the same of the taxes which governments sometimes permit themselves to impose on annuities which they owe for capitals formerly furnished. Certainly the unfortunate creditor from whom this deduction is made suffers the entire loss, not being able to throw it on any one; but he moreover loses the capital of the sum retained. The proof is that if he sells his annuity he gets so much the less, as it is more encumbered if otherwise the general rate of interest on money has not varied. Whence it follows that subsequent possessors of this annuity no longer pay any thing: for they received it in this condition and for its remaining value in virtue of a purchase freely made or of successions voluntarily accepted.

The effect of a tax on persons is not at all the same. We must distinguish between that which is supposed to bear on acquired riches, and that which is meant for the means of acquiring them, that is to say on industry of some sort. In the first case it is certainly always the

person taxed who supports the loss resulting from it, for he cannot throw it on any other. But as the tax on every one ceases with his life, and every one is successively subject to it, in proportion to his presumed fortune, the first person taxed loses only the dues which he pays, and not the capital, and does not liberate those who come after him; thus at whatever epoch the tax ceases, it is not a pure gain to those who are subject to it, it is a burthen weighing really on them and which ceases to be continued.

As to a tax on persons, which has for its object industry of some sort, it is equally true that he who first pays it does not lose the capital nor liberate those who are subjected to it after him; but it gives room for considerations of another kind. The man who exercises a branch of industry at the moment in which it becomes burthened with a new personal tax, such as the establishment or increase of patent rights, the freedom of corporations, masterships, or other things of the same kind, this man I say has but two courses to pursue, either to renounce his occupation, or to pay the tax and support the loss resulting from it, if notwithstanding this it still holds out a prospect of sufficient profits. In the first case he certainly suffers, but he does not pay the tax; therefore I shall not now occupy myself with it. In the second case, it is he assuredly who pays the imposition, since neither augmenting the demand, nor diminishing the expense, it does not give him any immediate mean of increasing his receipts or lessening his expenditures. But taxes are never all at once laid so heavy as to oblige inevitably all of the same occupation to quit it: for all industrious professions being necessary to society, the total extinction of any one would produce general disorder. Thus after the establishment of a tax of the kind we speak of, none but those who are already rich enough to consider a diminished profit as no object, or those who exercised their profession with so little success, that no profits would remain to them after paying the tax, would renounce their occupation. The others continue it; and these, as we have said, really pay the tax at least until rid of the competition of many of their brethren, they could avail themselves of this circumstance to levy it on the consumers by making them pay more for the articles than before.

It is thus with those who exercised the profession at the moment of the establishment of the tax. The case is different with those who embrace it after the tax has been once established. They find the law made; we may say that they engage themselves on this condition. The

tax is for them among the expenses required by the profession, as the necessity of renting a particular situation, or of buying a particular utensil. They only enter on this profession because they calculate that, notwithstanding these changes, it is still the best employment they can make of the portion of capital and industry they possess. Thus they certainly advance the tax, but it does not really take any thing from them. Those to whom it is a real loss are the consumers, who without this change could at less expense have made up the income with which they are contented, and which was the best in their power to procure in the present state of society. From hence it follows, that, if the tax be removed these men really make a profit on which they did not calculate, at least until this advantage produces new competitors. They find themselves gratuitously, and fortuitously, transported into a class of society more favoured by fortune than that in which they were placed; while to those who exercised it previously to the tax, it is but a return to their first state. We see that a tax on persons, founded on industry, produces very different effects; but its general effect is to diminish the enjoyments of consumers, since their furnishers do not give them merchandise for that part of their money which goes into the public treasury. I cannot enter into more details; but we cannot too much accustom ourselves to judge of the different reverberations of a tax, and to follow them in thought, in all their modifications. Let us pass to the imposts on papers, deeds, records, and other monuments of social transactions.

This requires also a distinction. The portion of this impost, which goes to augment the expenses of justice, and which makes a part of it, is certainly paid by the parties on whom the judgment throws the expense; and it is difficult to say to what class of society it is most hurtful; however, it is easy to see that it burdens particularly the kind of property most liable to contention. Now, as this is landed property, the establishment of such an impost certainly diminishes its market value. Whence it follows that those who have purchased lands, since the existence of the tax, are a little compensated, in advance, by the smaller price of their purchase; and that those who possessed them before bear the entire loss if they have any law-suit, and even sustain a loss without any law contest, and without paying the tax, since the value of their property is diminished. Consequently if the tax ceases, it is but a restitution for the latter; and there is a portion of gratuitous gain for the others, for they find themselves in a better situation than

that on which they had calculated, and according to which they had made their speculation.

All this is yet more true, and is true without restriction, of that portion of the tax on transactions which regards purchases and sales, such as fines on alienation, the hundredth penny, amortisement, and others. This portion of the tax is entirely paid by him who possesses the property at the moment it is thus encumbered: for he who buys it subsequently pays him but accordingly, and consequently pays really nothing. All that can be said, is that if this tax on deeds of sale of certain possessions is accompanied by other taxes on other transactions which affect other kinds of property, other employments of capitals, it will happen that these possessions are not the only ones lessened in value; and consequently that proportion is preserved, at least in part, and that thus a part of their loss is prevented by that of others, for the market price of every kind of revenue is relative to that of all the others. Thus, if all these losses could be exactly balanced, the total loss resulting from the impost would be exactly and very proportionably distributed. This is all that can be asked: for it must necessarily exist, since impost is always a sum of means taken from the governed, to be placed at the disposition of those who govern.

Imposts on merchandise have effects still more complicated and various. To unravel them well, let us recollect that all merchandise, at the moment it is delivered to the consumer, has a natural and necessary price. This price is composed of the value of what has been necessary for the subsistence of those who have fabricated and transported this merchandise, during the time which they were employed about it. I say that this price is natural because it is founded on the nature of things independently of all convention; and that it is necessary, because if the men who execute a labour whatsoever do not obtain subsistence they perish, or apply themselves to other occupations, and this labour is no longer executed. But this natural and necessary price has scarcely any thing in common with the market or conventional price of the merchandise, that is to say with the price at which it is fixed by the effect of a free sale. For a thing may have cost very little trouble, or if it has required much labour and care it may have been found or stolen by him who offers it for sale; in these two cases he may sell it very low, without losing; but it may at the same time be so useful to him, that he will not part with it but for a very great price; and, if many people want it, he will obtain this price, and make an enormous gain.

On the contrary it is possible that a thing may have cost the vendor infinite trouble, that not only it may not be necessary to him, but that he may have a pressing call to dispose of it, and that yet no body is desirous of buying it. In this case he will be obliged to part with it for almost nothing, and will sustain a very great loss. The natural price is then composed of anterior sacrifices made by the vendor, and the conventional price is fixed by the offers of buyers. These are two things, in themselves foreign to one another. Only when the conventional price of any labour is constantly below its natural and necessary price, it ceases to be performed. Then the produce of this labour becoming scarce, more sacrifices are made to procure it, if it is still desired, and thus however little it is really useful the conventional or market price re-ascends to the level of the price which nature has attached to that labour, and which is necessary to a continuance of its execution. It is thus all prices are formed in a state of society.

It follows hence that those who exercise a labour, the conventional price of which is inferior to its natural value, ruin themselves or disperse, that those who execute a labour, or in other words exercise an industry whatsoever, the conventional price of which is strictly equal to the natural price, that is to say, those whose profits balance nearly their urgent wants, vegetate and subsist miserably and that those who possess talents the conventional price of which, is superior to absolute necessities, enjoy, prosper, and in course multiply. For the fecundity of all living, even among vegetables is such, that nothing but a want of nourishment for the germs disclosed arrests the increase of numbers of the individuals. This is the cause of the retrograde, stationary or progressive state of population, in the human kind. Momentary calamities, such as famine and pestilence have little effect. Unproductive labour, or productive in an insufficient degree, is the poison which deeply infects the sources of life. We have already made nearly all these observations, either in the fourth paragraph of our introduction, in speaking of the nature of our riches, or in the chapters in which we have spoken of values and population. But it was well to bring them again into view in this place.

Now it is easy to perceive that imposts on merchandise, affect prices, in different ways, and in different limits, according to the manner in which they are levied, and according to the nature of the articles on which they bear. For example in the case of monopoly or exclusive sale, by the state, it is clear that the impost is paid directly immedi-

ately and without resource by the consumer, and that it has the greatest extension of which it is susceptible. But this sale, if forced cannot however, either in price or quantity exceed a certain term, which is that of the possibility of paying it. It stops whenever it would be useless to exact it, or when it would cost more than it would bring in. This is the point at which the tax on salt was in France and it is the maximum of possible exaction.

If the exclusive sale, be not forced it varies according to the nature of the merchandise, if it be on articles not necessary in proportion as the price raises the consumption diminishes; for there is but a certain sum of means in the whole society, which is destined to procure a certain kind of enjoyment: it may even happen, that a small increase of price may greatly diminish the profit because many renounce entirely this kind of consumption, or are even able to replace it by another. But the impost is always effectively paid by those who persevere in consuming.

If on the contrary the exclusive sale made by the state, but by mutual agreement bears on an article of the first necessity, it is equivalent to a forced sale, for the consumption, diminishes truly in proportion as the price rises, that is to say, people suffer and die, but as in fine it is necessary, it always rises with the means of paying, and it is paid by those who consume.

After these violent means, if we examine others, more mild, we shall find their effects analogous, with a less degree of energy. The most efficacious of these is a tax imposed on merchandise at the moment of production, for no part escapes, not even that consumed by the producer himself, nor even that which may be damaged or lost in warehouses, previously to being employed. Such is the tax on salt levied on the salt ponds; that on wine at the instant of the vintage, or before the first sale, and that on beer at the breweries. We may also range in the same class the impost on sugar, coffee, and other such articles levied at the moment of their arrival from the country which produces them: for it is not till this moment they exist, for the country which cannot produce them and which is to consume them.

This tax levied at the moment of production, if established on an article little necessary is as limited as the taste we have for it. Thus, when it was wished to derive a great revenue from tobacco, pains were taken to render it a necessary to the people. For if society is instituted for the more easy satisfaction of the wants given us by nature, and from which we cannot withdraw ourselves, it seems that fiscality is destined

to create in us artificial wants, in order to refuse us one part, and make us pay for the other.

When this same impost, at the moment of production, is established on an article more necessary, it is susceptible of a greater extension; however, if this article costs much labour and expense in its production the extent of the impost is likewise soon stopt, no longer through want of a desire to procure the article, but by the impossibility of paying for it: for there must always reach the producers a sufficient portion of the price for their subsistence; thus there is less remaining for the state.

But an impost displays all its force when the article is very necessary and costs very little, as salt for example: there all is profit for the treasury; accordingly its agents have always paid a particular attention to salt. Very rich mines produce also the same effect to a certain point, but in general governments have taken the property to themselves, which saves the trouble of taxing, and is equivalent to the process of exclusive sale. Air and water, if they could have appropriated them would have been objects of taxation very heavy and very fruitful for the treasury; but nature has diffused them too widely. I do not doubt but, in Arabia, revenue farmers would draw great profit from a tax on water, and so that no one should drink without their permission. As to air the window tax accomplishes as much on that as is possible.

Wine is not a gratuitous present from nature. It costs much trouble, care and expense; and, notwithstanding the necessity and the strong desire we have to procure it, we should with difficulty, believe it could support the enormous charges with which it is burthened at present in France, at the moment of its production. If we were not apprised that a part of this burden falls directly on the land planted in vines, and operates only as a great reduction of the rents paid. In that way it has the effect of a land tax, which is, as we have seen to take from the proprietor of the soil a portion of his capital, without influencing the price of the products or encroaching on the profits of the producer. Thus the capitalist is impoverished, but nothing is deranged in the economy of society, and this capitalist is obliged to sustain this loss, whenever the land would yield him still less by a change of culture.

Corn like wine, might be the object of a very heavy tax, levied at the moment of production, independently even of the tenth, with which both are burthened almost every where. A part of this impost would operate in like manner in diminution of the rent of the land, without

touching the wages of the production, and consequently without increasing the price of the article. If in general they have abstained from this tax, I am persuaded it is not from a superstitious respect, for the principal nourishment of the poor, which has otherwise been charged in many ways which enhance the price, but because they have been prevented by the difficulty of superintending the entry into every barn, a difficulty which in effect is still greater than that of entering every cellar. In other respects the similitude is complete.

Let us observe, in finishing this article, that an impost thus levied, at the moment of production, on an article of indispensable use all over the world, is equivalent to a real capitation; but of all capitations it is the most cruel, for the poor. For it is the poor who consume the greatest quantity of articles of the first necessity, there being for them no other substitute; and they constitute almost the whole of their expenses, because they can only provide for their most pressing wants. Thus such a capitation is distributed, in proportion to misery and not to riches in the direct ratio of wants and the inverse of means. In this way we may appreciate imposts of this kind. But they are very productive: for it is always the poor who constitute the great number, and by this great number great sums. They little affect those who could make their complaints be heard; and this determines in their favour. It cannot be dissembled, that these are the two only causes of the preference given to them.

As to imposts levied on different merchandises, either at the moment of consumption or at their different stations, as on the public roads, in the markets, in ports at the gates of cities, in shops, &c. &c. their effects have been already indicated by those we have just seen resulting from exclusive sale, or from a tax at the moment of production, These are of the same kind, only they are commonly less general and less absolute; because they are more various, and seldom embrace so great an extent of country. In fact the greatest part of these imposts are local measures. A toll affects only the goods which pass along the road or canal on which it is established. At the entrance of towns it affects directly only the consumption made within their interior. (I suppose its transit exempt from duty.) A tax levied in a market or shop does not affect what is sold in the county, or at extraordinary fairs. Thus it deranges prices and industry more irregularly, but always deranges them in the points on which they bear. For so soon as an article is charged the condition either of the producer or the consumer is deteriorated.

It is here that we meet again relatively to products and the effects of taxation, the consequences of two important conditions proper to all merchandise, the one being of the first necessity, or only agreeable or of luxury, the other that their conventional or market price be greater than their natural or necessary one, or merely equal to it, as to being lower, we already know that impossible in the long run.

If the article taxed be of the first necessity it cannot be dispensed with, it will always be bought while there are means; and, if its conventional price be only equal to the natural one, the producer can make no abatement;—thus all the loss will fall on the consumer. Whence we are to conclude, that if the sale and the product of the tax diminishes, it is the consumer who suffers and perishes.

We must remark that in our old societies occupying a territory circumscribed long ago, and able to acquire only lands already appropriated, this is the case with all merchandises of the first necessity; for, by the effect of the long contention between the contrary interests of the producer and consumer, every one is posted in the social order according to his degree of capacity. Those who possess some talent, in sufficient demand to enable them to exact payment beyond their absolute necessities, will devote themselves to the employment so preferred. None but those who cannot succeed in them devote themselves to the indispensable productions; because these are always in demand. But they are not paid more than is strictly necessary; because these are always inferior persons, who can do nothing else.

It is even necessary it should be so: these articles of first necessity are the urgent wants of all, and especially of the poorest of all the other classes who consume without producing them, being occupied in other productions; thus the poor can subsist only in proportion as these articles are easy to be procured.

The more indispensable then a profession is, the more inevitable it is that those who devote themselves to it for want of other capacity should be reduced to the strictly necessary. The only direct means of ameliorating the condition of these men, the last in rank in society from their want of talent, would be to persuade them to multiply less, and to leave them always free to go and exercise their feeble talent whenever it would be the most profitable. For this reason expatriation should always be permitted. There are still some other political measures which might indirectly concur in defending extreme weakness against extreme misery; we will speak of them elsewhere. On the

whole these men, whom we compassionate with justice, suffer still less than they would in the savage state. The proof is that they vegetate in greater numbers, for man extinguishes but through excess of suffering.

We have already said all this elsewhere, as occasions presented themselves; but it was very necessary to repeat it here on the subject of taxation. For the history of the revenues and expenses of government is the abridgment of the history of production and consumption of the whole society; since under this point of view government is but a very great annuitant, with whom authority stands instead of capital. Without too much forcing the similitude between the circulation of riches and that of the blood, we might say that the circulation operated by government in society, resembles entirely the pulmonary circulation in an individual. It is extracted from the total mass, and returns to diffuse itself there again after having performed its functions separately; but in a manner absolutely similar.

If the article taxed is not of the first necessity, and if nevertheless its conventional price is but equal to its necessary one, it is a proof that the consumers hold feebly to this enjoyment. Then, the tax supervening, the producer has no choice but to renounce his occupation, and endeavour to find wares in some other profession; in which he will increase misery by his concurrence, and in which he likewise is under disadvantage from it, not being his own. Thus they perish, in a great measure at least. As to the consumer, he loses but an enjoyment, to which he was little attached apparently, because he easily replaces it by another; which gives occasion to other wages. But the produce of the tax becomes null.

If, on the contrary, merchandise of little necessity, stricken by a tax, has a conventional price greatly superior to its necessary one—and this is the case with all articles of luxury, there is scope for the treasury without reducing any one precisely to misery. The same total sum is expended for this enjoyment, unless the taste diminishes which has occasioned it to be desired: and it is the producer who loses almost the whole of what the impost takes from this total sum; but, as he gained more than the necessary, he is not yet below it. However it must be observed that this is only true in general. For in this trade, supposed generally advantageous, there are individuals who through want of skill or good fortune, obtain only the slender necessary; and the impost supervening, these are obliged to abandon their profession; which is always a great suffering.

It is thus we may represent to ourselves with sufficient accuracy the direct effects of the different imposts, local and partial, levied on merchandise in their passage from the producer to the consumer. But, besides these direct effects, these imposts have others that are indirect, foreign to the first, or which mix with and complicate them. Thus a heavy duty on an important article, levied at the entrance of a city, diminishes on one hand the rent of its houses, by rendering its habitation less desirable, and on the other it diminishes the rent of land which produces the dutied article, by rendering the sale less considerable or less advantageous. Here then idle capitalists, although they should be absent and not consumers of any thing, are affected in their capital, as by a land tax while it is believed that only the consumer or producer is affected. This is so true, that these proprietors, if it were proposed to them, would make sacrifices to pay off a part of the funds of this impost, or directly furnish a part of their annual produce. This we have seen a thousand times.

What is more, in our economical considerations we often regard as real consumers of an article those only who effectively consume it for their personal satisfaction; yet they are by no means the only buyers of the article. Often the greater part of those who procure it purchase it as a first material of other productions, and as a material of their industry. Then the tax on these articles affects all these productions, and all these occupations. It is what particularly happens to articles of very general use, or of indispensable necessity. They make a part of the expenses of all producers, but in different degrees.

Finally, we must likewise observe, that the imposts of which we are speaking never fall altogether on a single article. They are at the same time levied on many different kinds of goods, that is to say on many species of productions and consumptions. On each, according to its nature, they operate some of the effects we have just explained; so that all these different effects reciprocally clash, balance and resist each other. For the new expenses, with which any kind of industry is burdened, lessen the promptitude to engage in it, in preference to another which has also experienced an injury of the same kind. The burden which oppresses one kind of consumption, prevents its becoming a substitute for that which we wish to renounce. Whence it results, that if it were possible so completely to foresee all these reverberations as to be able perfectly to balance all the weights and to place them all at the same time, so as to produce every where an equal pressure, no

proportion would be changed by them. They would produce all together no other effect than the general one inherent in all imposts, namely that the producer would have less money for his labour and the consumer less enjoyment for his money. We might consider imposts as good when to this general and inevitable evil they do not join particular evils too distressing.

I shall follow no farther this examination of the different kinds of imposts. I think I have said enough to enable all to judge of them, and especially to show as clearly as that is possible on whom the loss occasioned by them really falls.

In effect, we see first, that the tax on annuities due by the state and that on the income of land, are not only annually paid by those on whom they fall without their being able to throw any part of them on others but that they lose even the capital; so that after them nobody really pays any thing. Secondly, that it is the same with the tax on the rent of houses; but that moreover it restrains speculations in building, and diminishes the comfort of tenants. Thirdly, that a personal tax, having acquired riches for its object does no wrong but to those from whom it is demanded; but does not liberate those who are to pay it after them. Fourthly, that the loss resulting from a tax on the instruments of social transactions is really supported by those from whom it is demanded, whenever the occasion of paying it occurs; but that its existence alone is injurious to others, by reducing the price of several things and shackling several kinds of industry. Fifthly, that a personal tax which has for its object any kind of industry whatsoever, and all taxes on merchandise, burden first all those from whom they are demanded; and, moreover, that they derange all prices and all kinds of industry; and that, by the effect of their numerous reverberations they end by falling on all the consumers, so as that we cannot precisely ascertain in what proportions.

I know that these results, separated, distinguished, modified, will appear less satisfactory than a very dogmatical decision which, treating the series of the interests of men as a row of ivory balls, should affirm that which ever is touched the last only is put in motion; but I could only represent things as I see them, and not as they may be imagined. If extreme simplicity pleases the understanding by relieving it, if even it is for this that it creates abstractions, a good understanding ought not to forget that this extreme simplicity is found only in itself; and that even in mechanics, as soon as there is a question of real bodies, it

is necessary to have regard to many considerations, which have no place so long as we reason on mathematical lines and points. Nevertheless, urged by the desire of arriving at a positive principle, I shall be asked perhaps, as I have been already asked on a similar occasion, what is my conclusion, and what is the tax which I prefer. Having exposed the facts, I might leave to the reader to draw his own consequences. But I will give my opinion with its reasons, warning however beforehand that it will never be absolute, but always relative; for a tax is never good when it is exaggerated, nor even when it is not in proportion to all others.

First I remind, that the consumption of industrious men, that which I have called productive consumption, being the only one that reproduces what it destroys, and being therefore the only source of riches, it is that above all which we ought to endeavour not to derange.

Setting out from this truth, the tax on the annuities due by the state would appear to me the best of all; but it is impossible to think of it, since we have seen that it is a true bankruptcy. It is not that I think it useful to cherish the public credit. I think, on the contrary, it is an evil for the government to have credit, and to be able to borrow; I will give the reason when I shall speak of its debts. Moral considerations alone determine me invincibly. Society being entirely founded on conventions, it is impossible that it should not be pernicious to give an example of the violation of plighted faith. No pecuniary calculation can counterbalance such an inconvenience. Its consequences are immense and fatal. The true method of taxing annuitants is to administer well. This causes them to receive but a low interest for their money.

After this tax, of which we cannot think, the best in my opinion are those which resemble it the most, that is to say the taxes on the income of land, and on the rent of houses, to which we may join that personal tax which has for its object riches already acquired. It will be seen, that if I prefer the tax on the income of land, it is not for the reasons of the ancient economists. It is on the contrary, because I regard the proprietors of land as strangers to reproduction. Moreover, I consider these three imposts, which bear principally on the rich, as a compensation for the imposts on merchandise, which necessarily oppress principally the poor. I have no need to say that the tax on land ought not to be such that much land would be neglected.

The tax on deeds and social transactions, notwithstanding its inconveniencies, appear to me admissible also, provided it be not exag-

gerated. Extending to many things, it bears on many points, which is always an advantage; and it does not press immediately on the first wants of the poor, which is also a great good.

As to taxes on merchandise, to which we must join the personal tax which has presumed industry for its object, I begin by rejecting absolutely all exclusive sales; and yet more, all forced sales, as well as every measure tending to shackle the freedom of labour, and to injure individual property, that is to say the entire disposition of personal faculties. These excesses provided against, I see nothing to forbid the establishment of taxes on merchandise. First, all those on articles purely of luxury are excellent, and have nothing but advantages without any inconveniencies. They diminish the effects of the excessive inequality of fortunes, by rendering more costly the enjoyments of extreme luxury. They are the only sumptuary laws which can be approved. But these are the taxes against which powerful men exclaim the most; besides they are always of very slender product, for in all cases it is the great number, though too much despised, which constitutes the force. We must therefore have recourse to taxes on more useful merchandise, and even on those of first necessity: for, in short, there must be a public revenue. These, as we have said, bear principally on the poor; but, as we have also said, they are balanced by those which bear solely on the proprietors of land, and they justify them. Besides, levied at the gates of cities, they contribute to disseminate the population over the whole extent of the territory, levied at the frontiers, they may be useful on some diplomatic combinations, so long as sound policy has not their entire direction. I do not think then we should blame these impositions. I confine myself to the recommendation, that they never be so heavy as to crush any kind of industry; and that they be very various, that they may bear on all. All are taken care of when all are so charged as that each will sustain its part of the common burden, for it must not be forgotten that our only question here is ever how, to do the least evil possible; and that when we have well distributed the necessary evil, we have attained the maximum of perfection in this art.

The expense of collection and the necessity of punishments are likewise two accessory evils of taxation, to which, some it is true are more subject than others; but on which I have nothing to say. But that neither the one nor the other are carried to extremes when the taxes are not excessive and when not enforced by tyrannical forms. Thus I regard them only as secondary considerations.

This is what I think of imposts. But is a more precise conclusion desired? Here it is. The best taxes in my opinion are, first, the most moderate, because they occasion fewer sacrifices, and less violence. Second, the most various, because they produce an equilibrium of the whole. Third, the most ancient, because they have entered into all prices and that all are regulated in consequence.

Once more I fear that this decision will not be satisfactory. It is not sufficiently striking to be brilliant; but except in its moderation, (which is often wanting through necessity) it is sufficiently conformable with what is practised every where; and if it be just as I think it is, it will be a new example of an intellectual phenomenon very common, but which has not always been sufficiently remarked: that in matters somewhat difficult the practice is, provisionally, sufficiently reasonable long before the theory becomes so; and, when the subject is thoroughly examined, we perceive that the good sense of the public (I might almost say the general instinct) has less wandered from the right road than the first scientific speculations. The reason is simple. In practice we are close to the facts; they present themselves every moment, they guide us, they retain us, they continually bring us back to what is, to the truth. Whereas in speculative combinations, which consist all in deductions, one first false supposition suffices to lead us very consequently into the greatest errors, without any thing apprizing us of it. This is the cause of the blind attachment so generally manifested for whatever is in use, and the great distrust inspired by every new truth too contrary to it: This disposition is without doubt exaggerated, but it is sufficiently founded in reason. However this may be, we have said enough on the revenues of government. Let us occupy ourselves with its expenses.

We have little to say on this subject. We have seen that government in every country is a very great consumer, and a consumer of the kind of those who live on revenues, and not on profits; that it is a very great annuitant with whom authority is instead of capital. Consequently all we have said of this species of consumers is applicable to it. Its expense does not re-produce itself in its hands, with an increase of value, as in those of industrious men. Its consumption is real and definitive. Nothing remains from the labour it hires. The riches it employs, and which did exist before they passed into its hands, are consumed and destroyed when it has made use of them. In effect, in what consists the much greater part of its expense? In paying soldiers, seamen, judges, and officers of every kind, and in defraying all the expenses required by

these different services. All this is very useful without doubt, and even necessary in the whole, if the desirable economy is employed in it; but nothing of all this is productive. The expenditure which government may incur to enrich the favourites of power is equally sterile, and has not the excuse of necessity nor even of utility. Accordingly it is still more disagreeable to the public, which it injures instead of serving. It is quite otherwise with funds employed in public labours of a general utility, such as bridges, ports, roads, canals, and useful establishments and monuments. These expenses are always favourably regarded, when not excessive. They contribute in effect very powerfully to public prosperity. However they cannot be regarded as directly productive, in the hands of government, since they do not return to it with profit and do not create for it a revenue which represents the interest of the funds they have absorbed, or if that happens, we must conclude that individuals could have done the same things, on the same conditions, if they had been permitted to retain the disposal of the sums taken from them for this same use; and it is even probable that they would have employed them with more intelligence and economy. Finally, we may say the same things of what the government expends, on different encouragements of the sciences and arts. These sums are always small enough and their utility is most frequently very questionable. For it is very certain that in general the most powerful encouragement that can be given to industry of every kind, is to let it alone, and not to meddle with it. The human mind would advance very rapidly if only not restrained; and it would be led, by the force of things to do always what is most essential on every occurrence. To direct it artificially on one side rather than on another, is commonly to lead it astray instead of guiding it. Nevertheless let us also admit the constant utility of this kind of expenses; not very considerable in relation to money, it is not the less true that, like all the preceding, they are real expenses which do not return.

From all this I conclude, that the whole of the public expenses ought to be ranged in the class of expenses justly called sterile and unproductive, and consequently that whatever is paid to the state, either under the title of a tax or even of a loan, is a result of productive labour previously executed, which ought to be considered as entirely consumed and annihilated the day it enters the national treasury. Once more I repeat it, this is not saying that this sacrifice is not necessary, and even indispensable. Without doubt it is necessary that every citi-

zen, from the product of his actual labour, or the income of his capital which is the product of more ancient labour, should give what is necessary to the state; as it is necessary to keep up his house, that he may lodge in it in safety. But he should know that it is a sacrifice he makes; that what he gives is immediately lost, to the public riches, as to his own; in a word, that it is an expense and not an investment. Finally, no one should be so blind as to believe that expenses of any kind are a direct cause of the augmentation of fortune; and that every person should know well that for political societies, as well as for commercial ones, an expensive regimen is ruinous, and that the best is the most economical. On the whole, this is one of those truths which the good sense of the people had perceived for a long time before it was clear to the greatest politicians.

If, from the examination of the ordinary expenses of government, we pass to that of its extraordinary expenses and of the debts which are their consequence, the same principles will guide us. This is likewise a subject on which the general good sense has greatly preceded the science of the pretended adepts. Simple men have always known, that they impoverished themselves by spending more than their income, and that in no case in it good to be in debt; and men of genius believed and even wrote, not long since that the loans of government are a cause of prosperity, and that a public debt is new wealth created in the bosom of society. However, since we are convinced, first, that the ordinary expenses of government add nothing to the general mass of circulation, and only change its course in a manner most often disadvantageous; Secondly, that they are of such a nature, also, as to add nothing to the mass of riches previously produced, from which they are taken, we ought to conclude that the extraordinary expenses of this same government being of the same nature as its ordinary expenses, are equally incapable of producing either the one or the other of these good effects. As to the ridiculous idea, that in issuing certificates of dues from the state a new value is really created, it does not merit a serious refutation: for if those who receive these certificates possess a certain sum the more, it is evident that the state which issues them must possess an equal sum, the less; otherwise we must say that as often as I subscribe an obligation of a thousand francs, I augment the total mass of riches by a thousand francs, which is absurd. Thus it is very certain, that in no case have we reason to rejoice at the increase of the consumption of government, and the greatness of public expenses.

But, finally, when these expenses are very considerable, ought we to felicitate ourselves on being able to meet them by loans, rather than taxes? or, in other words, is it happy for the governed, that the government should make use of its credit, or even that it should have credit? This is the last question which remains to be treated, before finishing this chapter. I know it is resolved for many statesmen, and even for many speculative writers, who firmly believe that public credit constitutes the force and safety of the state; that it is a great cause of prosperity in ordinary times, and the only efficacious resource in urgent necessities; and thus that it is the true palladium of society.

Yet I think I have good reasons for combatting their opinion. I will say nothing of the grievous effects of loans on the social organization, of the enormous power they give to the governors of the facility they afford them of doing whatsoever they please, of drawing every thing to themselves, of enriching their creatures, of dispensing with the assembling and consulting the citizens; which operates rapidly the overthrow of every constitution. These things are not now my subject. I consider in loans at this moment but their pure economical effects; and it is solely under this point of view that I am going to discuss their advantages and inconveniencies.

The first thing said in favour of loans is, that the funds procured by these means are not taken involuntarily, from any one. I think this an illusion. In effect it is very true, that when government borrows it forces no one to lend; for we must not regard forced loans, as loans, but as contributions. When, therefore, the lenders carry their money to the public treasury it is freely and voluntarily; but the operation does not end there. These capitalists have lent, not given: and they certainly intend to lose neither principal nor interest. Consequently, they force the government to raise, one day or other, a sum equal to that which they furnish and to the interest which they demand for it. Thus, by their obligingness, they burthen without their consent not only the citizens actually existing, but also future generations. This is so true, that the kind of easement, which their service produces for the present moment, only amounts to a rejection of a part of the burden on future times.

This circumstance, in my opinion, gives room for a great question; which I am astonished to have seen no where discussed. A government of any kind, whether monarchical or polyarchical, in a word of men now existing, has it a right thus to burden men not yet in

existence, and to compel them to pay in future times their present expenses? This is not even the case of a testament; against which it has been said, with reason, that no man has the right of being obeyed after his death. For, in line, the society which for the general good takes so many different powers from its individual members may well grant them this, and guarantee it if it is useful to them; and the heirs of the testators are always at liberty to accept or to refuse their inheritances, which at bottom belong to them only in virtue of the laws which give them, and under the conditions prescribed by the laws. But when there is a question of public interest the case is quite different. One generation does not receive from another, as an inheritance, the right of living in society; and of living therein under such laws as it pleases. The first has no right to say to the second, if you wish to succeed me, it is thus you must live and thus you must conduct yourself. For from such a right it would follow that a law once made could never be changed. Thus the actual legislative power, (whatever it be) which is always considered as the organ of the actual general will, can neither oblige nor restrain the future legislative power, which will be the organ of the general will of a time yet to come. It is on this very reasonable principle that it is acknowledged in England that one parliament cannot vote a tax but until the commencement of another, or even until a new session of the same parliament. I know well that to apply this principle generally to the debts of a country where it is not admitted, and where prior engagements have been entered into bona fide, would be to violate public faith; and I have heretofore sufficiently manifested my profound belief that such an act can never be either *just* or *useful*, two terms for me absolutely equivalent to *reason* and *virtue*. But it is not the less true, to return to the example of England, that it is contradictory, and consequently absurd that a parliament should think it could not vote taxes but for one year, and should think it could vote a loan on a perpetual annuity or on long reimbursements: for this is to vote a necessity for taxes sufficient to pay these annuities or these reimbursements, without a right to refuse them. I find the principle formerly admitted in Spain much more sensible and honourable, that the engagements of one king are not binding on his successor. At least those who contract with him know the risques they run and have no room for complaint of what may happen to them. We shall soon see that this principle, put in practice, is as beneficial as it is reasonable.

For the present I only maintain, that, since definitively the principal and interest of a loan can never be paid but by taxes, the funds which government procures by this mean end always in being involuntarily taken from individuals; and, what is worse, from individuals not obliged, because they have never engaged either by themselves or by their legitimate or *legal* representatives. I call *legal*, those whom the existing law authorizes; and whose acts are valid, even if the law is not just.

The second advantage which is found in loans, is that the sums which they furnish are not taken from productive consumption: since it is not undertakers of industry who place their funds in the hands of the state; but idle capitalists only living on their revenue, who choose this kind of annuity rather than another. I answer that this second advantage is not less illusory than the first. For although it be true that those who lend to government are not, in general, the men who have joined their personal industry to their capital, to render them more useful in productive employments; yet it happens that there are many of these lenders whom the facility of procuring a sufficient existence, without risque or fatigue, has alone disgusted from labour and thrown them into idleness. Besides, even admitting that all were equally idle if the state had not borrowed, it is certain that if they had not lent it their money they would have lent it to industrious men. From that time these industrious men would have had greater capitals to work on, and, by the effect of the concurrence of lenders, they would have procured them at a lower interest. Now these are two great goods of which the public loans deprive them. In fine it cannot be denied that without a bankruptcy, when a sum is borrowed it must be repaid; and, to repay it, it must be levied on the citizens. Thus, sooner or later, it affects industry as much and in the same manner as if it had been levied at first. Moreover, there must be added to this all the interest paid by the state till the moment of reimbursement; and it is easy to see that in few years these interests have doubled the capital, and consequently the evil.

But at this day, in Europe, we are so habituated to the existence of a public debt, that when we have found the means of borrowing money on perpetual annuities, and of securing payment of the interest, we think ourselves liberated and no longer owing any thing; and we do not or will not see that this interest absorbing a part of the public revenue (which was already insufficient) since we have been obliged to

borrow, is the cause that this same revenue still less suffices for subsequent expenses; that soon we must borrow again to provide for this new deficit, and load ourselves with new interest; and that, thus in but a short time it is found that a considerable portion of all the riches annually produced is employed, not for the service of the state, but to support a crowd of useless annuitants. And to fill the measure of our evils, who are these lenders? Men not only idle, as are all annuitants; but also completely indifferent to the success or failure of the industrious class to which they have lent nothing: having absolutely no interest but the permanence of the borrowing government, whatsoever it be or whatsoever it does; and at the same time having no desire but to see it embarrassed, to the end that it may be forced to keep fair with them and pay them better. Consequently natural enemies to the true interests of society, or at least being absolutely strangers to them. I do not pretend to say that all the annuitants of the state are bad citizens; but I say that their situation is calculated to render them such. I add further, that life annuities tend moreover to break family ties; and that the great abundance of public effects cannot fail of producing a crowd of licentious gamblers in the funds. The truth of what I advance is manifested in a very odious and fatal manner in all great cities without commerce; and especially in all the capitals in which this class of men is very numerous and very powerful; and has many means of giving weight to their passions, and of perverting the public opinion.

It is then as erroneous to believe that the loans of government are not hurtful to national industry, as it is to suppose that the funds which they produce, are not taken from any individual involuntarily. In truth these are not the real reasons which cause so much importance to be attached to the possibility of borrowing. The great advantage of loans, in the eyes of their partisans, is that they furnish in a moment enormous sums, which could only have been very slowly procured by means of taxes, even the most overwhelming. Now I do not hesitate to declare that I regard this pretended advantage as the greatest of all evils. It is nothing else than a mean of urging men to excessive efforts, which exhaust them and destroy the sources of their life. Montesquieu perceived it well. After having painted very energetically the state of distress and anxiety to which the exaggeration of the public expenses had already, in his time, reduced the people of Europe, who ought by their industry to have been the most flourishing, he adds, "And, what prevents all remedy in future, they no longer count on the revenues; but

make war with their capital. It is not unheard of* for states to mortgage their funds even during peace, and employ to ruin themselves means which they call extraordinary; and which are so much so that an heir of a family the most deranged could with difficulty imagine them.†”

It will not fail to be said that this is to abuse its credit, and not to use it; and that the abuse which may be made of it does not prevent its being good to have it. I answer, first, that the abuse is inseparable from the use, and experience proves it. It is scarcely two hundred years since the progress of civilization, of industry, of commerce, that of the social order, and perhaps also the increase of specie, have given to governments the facility of making loans; and in this short space of time these dangerous expedients have led them all either to total or partial bankruptcies, sometimes repeated, or to the equally shameful and more grievous resource of paper money, or to remain overburdened under the weight of a load which daily becomes more insupportable.

But I go farther. I maintain that the evil is not in the abuse; but in the use itself of loans, that is to say that the abuse and the use are one and the same thing; and that every time a government borrows it takes a step towards its ruin. The reason of this is simple: A loan may be a good operation for an industrious man, whose consumption reproduces with profit. By means of the sums which he borrows, he augments this productive consumption; and with it his profits. But a government which is a consumer of the class of those whose consumption is sterile and destructive, dissipates what it borrows, it is so much lost for ever; and it remains burdened with a debt, which is so much taken from its future means. This cannot be otherwise. In several countries they have commenced, by being long without feeling the bad effects of these operations; because the progress of industry and the arts being very great at this epoch, their advance has been found more rapid than that of the debt; and the means of the government have not failed to augment also. Many have even concluded that a public debt was a source of prosperity, while it only proved that individuals did more good than the government did evil; but this evil was not the less real; and nobody now undertakes to deny it.

These cogent reasons are answered by the excuse which is usual where no other remains. *Necessity*; but I insist, and affirm, that in

*He ought to have said, ‘it is frequent’.

†Spirit of laws, book 13th. Chap. 17.

the present case necessity itself is no excuse: for it is this very remedy which creates the obligation we are under to have recourse to it. I will explain myself. When a nation is once engaged in a perilous situation there is no doubt but that there is a necessity for it to make the greatest efforts to free itself from it. But a body politic does not naturally find itself placed in such a situation. Always some anterior cause has brought it to this. Or it has very badly managed its internal affairs; and thereby encouraged some unquiet neighbour to attack it, to profit by its weakness; or, if it has well conducted its own affairs, it has sought to avail itself of it to meddle unreasonably with those of others: it has abused its own prosperity to trouble that of others, to undertake too great enterprises, to raise exaggerated pretensions; or merely to assume a menacing attitude, which provokes hostile measures and produces hatred. These are, in effect, the faults which commonly bring on the necessity of making excessive efforts, and of having recourse to loans; and if it is true that it is by the foolish confidence inspired by this pernicious resource, that governments have been led into these faults, it will be agreed that the credit which is regarded as a remedy to these evils is their true cause. Now history teaches us that it is in fact since governments have had what is called credit, that is to say the possibility of employing in an instant the funds of several years, that they have no longer set bounds either to their prodigality, or their ambition, or their projects, that they have augmented their armies, multiplied their intrigues, and that they have adopted that intermeddling policy with which it is impossible to avoid war or enjoy peace. These are the effects of this public credit which is regarded as so great a good. But, at least, is it useful in imminent dangers? No. There is no imminent danger for a nation, except a sudden invasion of its territory. In this extreme case it is not money which saves it, it is the concurrence of force, it is the union of wills. Requisitions supply necessaries, levies in mass furnish men; loans are of no use. The end answered by credit is the maintenance of distant wars, that is to say their prolongation. It also fails when they become disastrous that is to say in the moment of necessity. Then peace is made. It would have been sooner made if the government had not had credit, or rather there would have been no war. And, when this tardy and forced peace is signed, it is perceived that of all the losses sustained, that most to be regretted, after the useless sacrifice of men, is that of the sums they would have preserved had they not had the unfortunate facility of borrowing them. The conqueror himself

is never indemnified by his successes for the sacrifices they have cost him, and the debts with which he remains burdened. From all this I conclude anew, that what is called public credit, is the poison which rapidly enough destroys modern governments.

I will not, however, advise a law which should forbid a government ever to borrow, and the governed ever to lend. Such a law would be absurd and useless:—absurd—for it would be founded, like the evil which it is meant to destroy, on this false principle: that the actual legislative power can bind the legislative power of futurity:—useless because the first thing that would be done by those who, in the sequel, should wish to borrow would be to abolish the law which forbids them; and thus would have a right to do it. I should wish then quite a different course to be pursued. I should wish them, on the contrary, to recognise and proclaim this principle of eternal truth: that whatsoever is decreed by any legislature whatsoever, their successors can always modify, change, annul; and that it should be solemnly declared, that in future this salutary principle shall be applied, as it ought to be, to the engagements which a government may make with money lenders. By this the evil would be destroyed in its root: for capitalists, having no longer any guarantee, would no longer lend; many misfortunes would be prevented, and this would be a new proof that the evils of humanity proceed always from some error, and that truth cures them. It is by this wish that I will terminate what I had to say of the revenues and expenses of government, and that I will finish this first part of the treatise on the will. Only, before passing to the second I will yet present to the reader some reflexions on what we have so far seen.