

and the lower classes are politically powerless, the landed proprietors and the traders combine to throw the burden on the agricultural laborers and the urban artisans, although they may still struggle between themselves as to the division of the remainder of the burden. Where aristocratic conditions prevail less strongly, as in America up to the present time, the laborer fares better, but the contest between the farmer and the city resident assumes a more acute form. The history of modern taxation is largely the history of these class antagonisms.

IV. *Changes in the Basis of Taxation*

In the meantime the test or standard of individual ability has itself undergone a change. With the growing differentiation of society, the productive powers of the various classes themselves differ. Moreover, there are now many forms of earnings which are derived not from property, but from industry. And since it is difficult to capitalize industry, it is the product of the industry which now becomes of importance. But there is a decided difference between this new system of taxes on product, and the original system which preceded the first property tax. In the original system the tax was on gross produce or on mere quantity of land. The land tax was either the tithe or some definite part of the estimated produce. Now the tax is on net produce. Allowance is made for expenses of cultivation. Two pieces of land may yield the same amount, and yet the outlay in the one case may have been considerably more than the other. To take net, instead of gross, product marks another step forward in the evolution of the idea of ability to pay. In a state of complete mobility of capital and labor, it perhaps makes no difference whether we take the market value or the net product of a piece of property; for the selling price of property tends to equal the capitalized value of the revenue derived therefrom. But in actual life, where we often find limitations to this absolute mobility, there may be a divergence between the capitalized value of the produce and the actual value of the property. Thus we find almost everywhere a movement to replace the property tax by a system of taxes on net product—on the product of land, of capital, of business, of labor, *etc.* This was the stage reached in Europe toward the end of the eighteenth and the beginning of the nineteenth century.

Relatively good as this system was, it was soon seen not to be entirely satisfactory. It failed to respond to modern eco-