

THE MATCH TAX: A PROBLEM OF FINANCE

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The Match Tax: A Problem of Finance by W. Stanley Jevons

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W. STANLEY JEVONS

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I PROPOSE to occupy the following pages with a careful inquiry into the merits or demerits of the tax on lucifer matches. That tax has been abandoned, but I do not think that the subject has therefore lost all interest. The recent budget of the Chancellor of the Exchequer was received both by the House of Commons and by the people with unquestionable disfavour; but it is not quite clear how far this disfavour was due to the real demerits of the proposals, or how far it might arise from mere vexation of spirit at the necessity of raising additional revenue.

The public disapprobation was chiefly concentrated upon the proposed new tax, which was variously denounced as "reactionary," as "violating the first principles of financial administration," or even as "the very worst tax that has been proposed within recent memory." I cannot say that among the mass of articles upon the subject which appeared in the daily press, I found evidence of much care in calculating and estimating the real

effects of the proposed Match Duty. It is worthy of remark that 'The Spectator,' which had apparently bestowed more inquiry upon the subject than any other newspaper coming under my notice, was rather in favour of the proposed duty. The fact that this Match Tax was a favourite notion of so eminent and enlightened a free-trade financier as Mr. Wells, ought to have secured for the proposal a more careful and respectful examination on the part of the English press and public. The tax is also likely to be adopted in Italy and France. Hence I do not think it superfluous to take up the subject, and, with the advantage of time for inquiry and deliberation, to attempt to measure at their true value the numerous objections brought against the tax.

I cannot believe that the present Government, a cabinet of financiers, as it has been called, could have made this unexpected proposal without some good reasons. It must be a very strong Government indeed that could afford to impose new taxes out of mere gaiety of heart. But new taxes must usually be imposed with some degree of suddenness and secrecy, otherwise the first year's revenue would be wholly lost, and most unfair profits would fall to those who contrive to gain the earliest information. No time can thus be given for previous

A strong ground of objection to the tax.

deliberation, and if some trust be not placed in the ministers who are responsible for the proposal, we may find ourselves in the somewhat absurd position of deliberating after the occasion is passed.

At the present time, we cannot give too much attention to the principles and rules of taxation which we accept. We are at the critical point where one great and true policy has been nearly, if not quite, accomplished; and without any strong guiding principle like that of free trade before us, we are in danger of drifting instead of carefully steering, in our financial course. If one half of the doctrines and arguments which were brought against this Match Tax should be accepted as really true and cogent, the balance of our financial system would be in danger of complete derangement. I consider it therefore a matter of no slight importance to pass under calm and impartial examination the various opinions hastily uttered during the recent warm discussion; and I will attempt to estimate fairly both the real objections which may be urged against the tax, and the reasons which may be found to exist for the selection of such a new impost at the present time.

I shall divide my inquiry into three parts. Beginning with the most simple points, I shall try to ascertain whether the tax could have been brought

into successful operation, many persons having asserted off-hand that it was impracticable. Supposing it to pass muster in this respect, I shall proceed to the more difficult inquiry whether it is theoretically a good tax, and in harmony with the fundamental principles of political economy. It will still remain to be decided whether the tax is needed, and suitable in its general character and incidence to form a part of our financial system.

PRACTICAL OBJECTIONS TO THE TAX.

There is hardly a limit to the variety of difficulties and evils which may be found to result from the imposition of a tax. We may start with the concession that every tax is bad; but as we must have revenue, the question really takes the form whether one tax is bad compared with others existing or proposed. I shall therefore consider the comparative advantages or disadvantages of the Match Tax, in regard to a list of practical difficulties, which I have made as exhaustive as possible. A tax may be bad, then, because it is subject to—

1. Fraudulent evasion.
2. Non-fraudulent evasion.

- 3. Costliness of collection, as regards the Government.
- 4. Costliness to the public in money.
- 5. Loss of time and trouble on the part of the public.
- 6. Interference with home trade.
- 7. Interference with foreign trade.
- 8. Unpopularity.
- 9. Incidental objections.
- 10. Inadequacy of returns.

1. Fraudulent Evasion.—There can hardly be a greater evil in a tax than that it opens an artificial path to dishonest gains; and if there be any considerable chance of such evil arising in the operation of the Match Tax, it is sufficiently condemned. But it is stated that in America the tax is collected with peculiar ease and certainty, because the public necessarily assist the revenue officers in detecting fraud. It is the peculiar excellence of the stamp system that every purchaser of an article has evidence upon the article whether the duty has been paid or not. A manufacturer surreptitiously sending out unstamped goods cannot know that they will all fall into the hands of unprincipled persons; and the danger of detection either by honest persons or the revenue officers is too great to be incurred by direct disregard of the law.

What seems to be shown is that the tax is not so much a burden as it is a source of revenue. It is a tax on the match, and the match is a necessary article of life. The tax is not so much a burden as it is a source of revenue. It is a tax on the match, and the match is a necessary article of life.

is the common way of under-selling in the match trade at present.

The only mode in which I should fear evasion would be by the collection and refilling of old stamped boxes, to which there would be some temptation on the part of small retailers or hawkers. But old stamps and boxes would be unsaleable, except to unprincipled manufacturers, and full penalties were provided in the Bill against such a practice. Moreover the stamp was to be affixed so that the box could not be opened without tearing it. The most closely analogous taxes, those on playing-cards and patent medicines, both marked by stamps on the cases, are collected without any fraud worth mentioning, and where the stamp is of so slight a value as $\frac{1}{2}d.$, there is no reason to fear any appreciable evasion by malpractices.

2. *Non-fraudulent Evasion.*—It is often possible to avoid a tax without committing fraud, as by substituting some other article, or even dispensing with the article altogether. It may sometimes be an advantage in an indirect tax that the payer may regulate his consumption in accordance with his means, and contribute more or less as he thinks proper; but on the other hand the Government ought not to put people to the inconvenience or harm of altering their habits needlessly. We have