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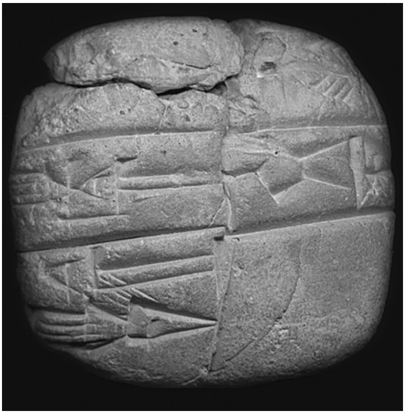
Any Public Matter

The revenue of the state is the state.

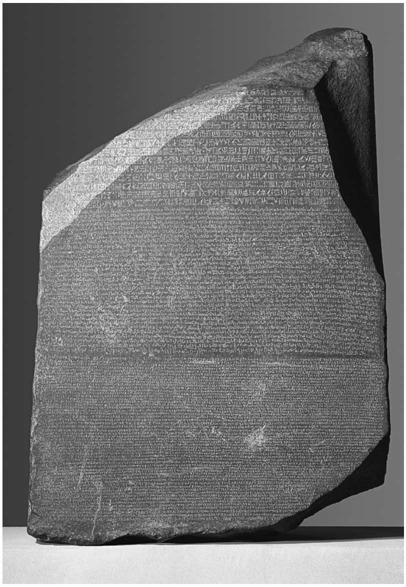
EDMUND BURKE[1]

UNCOVERED BY Napoleon's soldiers in 1799, the Rosetta Stone famously held the key to deciphering ancient Egypt's hieroglyphics. The trick, of course, is that it bears the same text in three different scripts: knowing the others, scholars could begin to understand the hieroglyphics. But what could be so important as to be worth carving out in three scripts? The answer, you will have guessed, is taxation. The Rosetta Stone describes a tax break given to the temple priests of ancient Egypt, reinstating tax privileges they had enjoyed in prior times. (So it also teaches us an early lesson: tax exemptions are as old as taxes.) But taxes themselves are far older than the Rosetta Stone. Indeed, early recorded human history is largely the history of tax. Sumerian clay tablets from 2500 BCE include receipts for tax payments.[2]

These relics are visible reminders that powerful rulers have always exercised their powers of compulsion to divert resources to their own preferred use. (A "tax," to get the definition out of the way, is "a compulsory, unrequited payment to general government.")[3] Indeed, as Edmund Burke saw, that is largely what defines them as rulers. Conflicts centered around this exercise of their coercive power to tax sometimes blaze across the pages of history, playing a profound role in shaping the



Tax paid in Sumer.



Tax exempt in Ptolemaic Egypt.

institutions that we all live with. More mundanely, but with almost inconceivably deep and direct impact, the exercise of taxing powers has impacted the daily lives and struggles of ordinary people for millennia, whether it is peasants handing over some of their rice crop to the local lord's retainer in Tokugawa Japan or shopkeepers in Lagos wondering how to complete their value-added tax (VAT) return. For the ordinary masses of humanity, taxation has long been the most direct way in which government impinges on their lives. Rulers, and systems of government, are largely characterized—and their survival and development largely determined—by how they choose to exercise their power to tax. As de Tocqueville wrote, "There is scarcely any public matter that does not arise from a tax or end in one."[4]

Over the millennia, the fundamental challenges faced by rulers aiming to extract resources to fund the state's activities, or their own fancies, have remained largely unaltered. What has changed, and is still changing, is how they address them. This book is about those problems of taxation and what past tax episodes—dramatic and humdrum, appalling and amusing, foolish and wise—teach us about how best to shape tax systems so as to avoid calamity and maybe even do some good.

We start with four stories that provide vivid illustrations of some of the key themes of this book. Not the least of these themes (though we suspect this is rarely the purpose policy makers had in mind) is that tales of taxation can actually be entertaining.

Bengal to Boston

Not many incidents in tax history could be called "well known." The exceptions are a few conflicts in which tax issues were at the heart of wider disputes over sovereignty. These, however, are so well known as to have become close to founding myths. So it is with the barons forcing King John (ruled 1199–1216)[5] to sign Magna Carta,[6] and John Hampden refusing to pay King Charles I's ship money. But national legends are rarely quite what they are cracked up to be. Sometimes they are misremembered: "Does Magna Carta mean nothing to you?" asked the British comedian Tony Hancock, "Did she die in vain?" And sometimes the legend ignores important parts of the truth.

So it is with our first story, which is that of the American Revolution, ushered in by the Patriots of Liberty dumping tea into Boston Harbor—prompted, we are told, by oppressive British taxation. This is probably history's best-known tax revolt. But things were not quite how they have often come to be seen, one general lesson from this book being that, when it comes to taxation, myth is often more pervasive than reality. The Boston Tea Party was actually prompted not by some tax increase, but by a tax cut—with the back story being a complex interplay between increasingly desperate policy makers and powerful interest groups, all adept at spinning their own self-interest as something noble. And the most appalling British tax oppression in the story did not occur in the American colonies. It took place in India.

The story begins in 1763, when the British emerged from the Seven Years' War with both their empire and their debt massively expanded. In America, the colonies had been freed from French pressure on their borders. In India, the privately owned but state-sponsored East India Company had established itself as the preeminent and rising colonial power. But all this, with gains in Canada and the Caribbean as well, had not come cheap. The British had financed the war largely by massive borrowing: The national debt had risen to an alarming 120 percent or so of gross domestic product (GDP),[7] and two-thirds of all government spending was on interest payments. It was time for Britain to set its fiscal house in order—and for the colonies to do their bit.

By 1765, things did not seem to be going too badly for the British. True, the colonists in America had not taken kindly to the sugar duties of 1764, but perhaps stamp duties, levied on legal documents and other printed materials, would work better—after all, they had worked at home for many years with no great difficulty. Prime Minister George Grenville expected them to prove "equal, extensive, not burdensome, likely to yield a considerable revenue, and collected without a great number of officers."[8] Moreover, the proceeds were earmarked for the defense of the colonies. It was surely only fair that the colonists, who came up with only 6d (six pence, or half a shilling) a year per person in tax, compared to 25 shillings annually for the average Englishman, should chip in more.[9] And the news from India was spectacular. In that year, the Mughal Emperor granted the East India Company the *diwani*—the right to collect tax revenues in Bengal, Bihar, and Orissa. This was a truly glittering prize. The *Gentleman's Magazine* thought that "the prodigious value of these new acquisitions . . . may open to this nation such a mine of wealth as . . . in a few years to . . . pay off the national debt, to take off the land tax, and ease the poor of the burdensome taxes."[10] In 1767, it seemed that a start on this had been made when the East India Company agreed to pay the government £400,000 a year for the enjoyment of its possessions in India.

Soon, however, things were going very badly wrong. In America, fierce opposition to the stamp duty had led quickly to its repeal. The government of Pitt the Elder (doubtless distracted by then being

1767: The British gain tax base and power in Bengal.

"seriously disabled by mental illness"[11]) responded in 1767 with the Townshend Duties on tea and other products. This was expected to produce only about one-tenth of the revenue of the *diwani*. But the point was in the preamble, declaring it to be "expedient that a revenue should be raised in Your Majesty's Dominions in America."[12] More resistance and boycotts followed, and in 1770 all the taxes other than the 3d per pound tax on tea were removed; that remained because, as the king continued to insist, "[there] must always be one tax to keep up the right [to tax]."[13] The protests and boycotts continued, and in March of 1770, panicked British troops killed seven locals on the streets of Boston.

But things were even worse in India. The *diwani* was already proving less spectacular than predicted, as famine came to Bengal in 1769. The Company's revenues there fell from £1.8 million in 1766/1767 to £1.3 million in 1770/1771.[14] This reduction was smaller than might have been expected, given the depth of the famine: 20 percent of the population of Bengal may have died. But what stopped it falling further was the Company's ruthless collection. "Indians were tortured to disclose their treasure," reported one official of the old regime, "cities, towns and villages ransacked; jaghires and provinces purloined."[15] But these extreme measures could not prevent a massive shortfall in revenue, compounding other difficulties facing the East India Company: uncontrolled overborrowing by its excessively entrepreneurial employees in India, massively increased military spending—and an accumulation of huge stocks of tea that it could not sell, partly because of the boycott in America. The Company's sales to the colonies fell by nearly 90 percent between 1768 and 1770.[16] By early 1772, the Company was in serious trouble.[17] It held about 18 million pounds of unsold tea in its London warehouses;[18] had effectively defaulted on the custom duties due on importing tea into Britain; and, far from paying a tidy sum to the government, needed to borrow large amounts from it.[19] But, being at the heart of English finances (and the wealth of many of the elite[20]), the East India Company had become too big to fail. "The monopoly of the most lucrative trades, and the possession of imperial revenues," Edmund Burke was later to tell Parliament, "had brought you to the verge of beggary and ruin."[21]

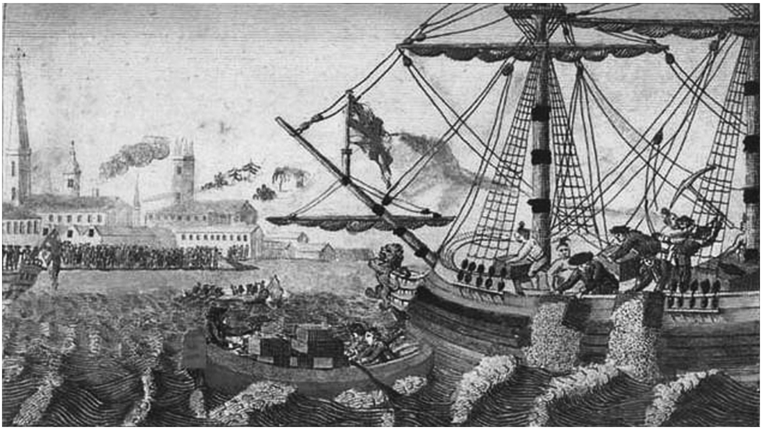
There were, Lord North had declared in 1768, "two great national questions, the state of the East India Company and the affairs of America."[22] And they became increasingly intertwined, with the solution to each perhaps lying in the solution of the other. To secure the financing of the East India Company, the key was to increase its sales of tea, and the American market was the main hope. The potential for its expansion was clear, but so was the obstacle to realizing it: Something like three-quarters of the tea consumed in the colonies was being smuggled in.[23] To some, these commercial problems could give convenient cover for a politic removal of Townshend's tax. But, by now prime minister, Lord North insisted that the principle had to be maintained: This was, as Edmund Burke cattily put it, not a real tax but a "preambulary" one.[24]

This was when the hard-pressed bureaucrats and politicians in London came up with a cunning plan. In short, they reduced the price of tea in the colonies by eliminating a tax due on tea in England, while maintaining the preambulary principle by leaving the tax charged in the colonies unchanged. The East India Company, to be more precise, had until now been required to bring tea destined for the colonies into

England first, at which point an import tariff of about 24 percent was charged, and to put the tea up for auction. From July 1773, however, this tax was entirely removed for tea exported to America. For the cheapest tea, this would allow the price charged in the colonies to be cut by about 6s per pound.[25] Smugglers would still have the advantage of not paying the Townshend Duty, but with the East India Company also now enabled to sell directly to the colonies, the smugglers were clearly in for some real competition. Surely the Americans would now be unable to resist buying taxed tea in large quantities. And in so doing, they would not only be sending the East India Company, and the powerful interests behind it, on the way to recovery but also implicitly accepting the British government's right to tax them. Clever.

But this ruse was, it turned out, a bit too clever. The agents chosen by the East India Company to sell in the colonies the now extremely cheap tea were clearly going to be loyalists. And thus the British—having infuriated lawyers, publicans,[26] newspaper publishers, writers, and other smart and influential people by the Stamp Act of 1765—were now directly attacking another powerful interest group: the savvy, powerful and respectably disreputable businessmen who had been making good money from smuggling tea, and who were increasingly aligning themselves with the patriot cause.

Men, that is, like John Hancock, "a respectable large-scale smuggler"[27] who was the richest merchant in Boston and now closely associated with the patriot agitator Sam Adams (as well as subsequently and proverbially supplying the first—and largest and most flamboyant—signature of the Declaration of Independence). Not only could the American merchants no longer hope to sell smuggled tea, they could not even hope to sell the legitimate British tea. The happy thought in London was that these measures would undermine not only the commercial interests but also the influence of these powerful men. But they misjudged. Hancock chaired, and Adams inflamed, the meeting at the Old South Meeting House on December 16, 1773, which ended with the Sons of Liberty throwing 35,000 pounds of cut-price tea into Boston Harbor. Tea shipments were refused in Philadelphia and Charleston, and tea parties erupted again in Boston and New York. From there,



1773: The British lose tax base and power in Boston.

under the banner of "no taxation without representation," riot proceeded to revolution.

There is irony in this. The modern American Tea Party, vociferously opposed to all but minimal taxation, takes its name from what was in effect a violent protest *against* a tax cut. There are also lessons. It might be too much to conclude that "as it turned out, [the Sons of Liberty] were not just against taxation without representation—they were against taxation, period."[28] But the Boston Tea Party was evidently about more than just tax rates.

The Boston Tea Party, and the Revolution, were ultimately about sovereignty. The overt exercise of authority for its own sake in the form of the tax on tea simply evoked and crystallized resistance. But these events were also about the power of interest groups, which, like the smugglers in the American colonies, can be ingenious in amassing support even from groups whose own interests—like those of the average Bostonian tea drinker—would seem to point in quite the opposite direction. And, as with other calamitous tax episodes, it was largely about the way in which taxes were implemented. Or, perhaps more to the point in this case, about their being implemented at all. Smuggling was a normal part of life for the colonists (as it was for many of their English brethren), and Britain's consistent attempts to stifle it were not taken well: When the smuggler-hunting Royal Navy vessel *Gaspee* ran aground in 1772, the locals simply set it on fire.[29] Discontent is also more likely when there is little support for the way in which tax receipts are spent. So it did not help that the proceeds of the Townshend Duties were earmarked for the extremely unpopular purpose of financing British political appointees in the colonies and establishing commissioners of customs, who acted without juries.

Freed of the British, the new American government, soon faced its own tax revolt.[30] In 1791, Treasury Secretary Alexander Hamilton imposed a tax on whiskey (considered a somewhat sinful luxury) after finding that tariffs did not meet the revenue needs of the fledging federation.[31] Not entirely by chance, the tax tended to favor larger distillers,[32] a powerful lobby group. But it enraged another interest: whiskey-distilling farmers in Western Appalachia. These small rural distillers refused to pay the tax; tarred and feathered tax collectors; and, finally, resorted to armed rebellion and bloodshed. The new American government reacted in much the same way as had the British—with force. But with a different outcome. In 1794, troops led by President George Washington easily quelled the rebellion.[33]

The British did learn some lessons from the American Revolution. In 1931, Mahatma Gandhi challenged the legitimacy of British rule in India by scooping a teaspoon of salty mud, boiling it in seawater, and thereby producing illegal untaxed salt. His actions clearly paralleled those of the Sons of Liberty at the Boston Tea Party. This time, however, there was no punishment from the British comparable to the "Intolerable Acts" of 1774 that were leveled at post–Tea Party Boston. Even Gandhi noted that the British showed great restraint.[34] In the next story, however, they showed almost none.

Never Such Disgrace

This is a story of taxation at its most appallingly oppressive: targeted at a vulnerable and oppressed group, offensive not just in its amount but in how it was collected—and also reflecting the use of taxation as a means of social engineering.

In 1896, the British established a protectorate over Sierra Leone, appointing district commissioners to oversee indirect rule by the local chiefs. To pay for this, and for a planned railway, Governor Frederick Cardew announced the introduction, on January 1, 1898, of a tax on all houses—a hut tax. Such taxes were widely used in colonial Africa, part of the motivation being to induce the native population to participate in the cash economy in order to be able to remit the tax: an example, and we will see plenty of others, of a tax deliberately intended not only to raise revenue but also to change behavior. The chiefs, while proclaiming their loyalty to Queen Victoria, politely protested. Cardew responded by reducing the tax and introducing some exemptions (including for Christian missionaries). But then he proceeded with the tax anyway.

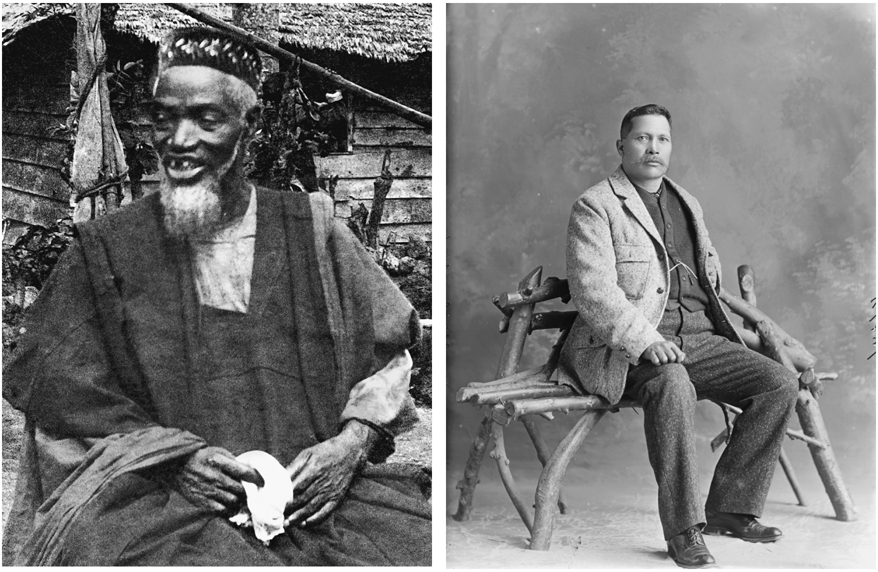
Collection soon ran into trouble. Chiefs were imprisoned and put to work breaking stones for refusing their role in collection, to their great humiliation. "Since the time of our ancestors," said one, "there has never been such disgrace to one of our Chiefs as this prison dress which I wear."[35] Fighting broke out first in the north, as the British moved to arrest a chief and regional leader, Bai Bureh, who was viewed, perhaps wrongly,[36] as instigating resistance. But he was, in any case, a respected and hardened warrior, who had once fought for the British and knew their ways only too well. (When Cardew offered £100 for Bai Bureh's head, Bai offered £500 for Cardew's.)[37] Soon it became a guerilla war, with British columns ambushed on the jungle paths and fighting multiple engagements each day.[38] The British responded with the systematic torching of towns and villages[39]—thereby destroying the tax base itself. Rebellion broke out in the south, too, and there the conflict was even more brutal, marked by the massacres of several hundred Europeans and Africans in European dress.[40]

By November, however, the rebellion was flagging. Bai Bureh was betrayed, captured, and exiled to the Gold Coast (now Ghana). Ninety-six of his comrades were hanged.[41] With that, what was called by the Colonial Secretary Joseph Chamberlain (destined to reappear later in this book) "a general rising against white rule,"[42] fizzled out. The suffering had been immense. Even Cardew came to be haunted by "[t]he thought of . . . the gallant officers and men who have fallen, of the devoted missionaries who have been sacrificed, of the Sierra Leoneans who have been massacred and"—an afterthought perhaps being better than nothing—"of the many natives who have been killed."[43]

This conflagration came to be known as the Hut Tax War. But there was more to it than the hut tax. Though the resistance did not aspire to remove the British, the fight was nonetheless largely about an affront to local customs and honor. Taxing huts was seen as directly undermining property rights: "Paying for a thing in our country," one chief explained, "means you had no original right to it."[44] And it came along with the usurpation by the district commissioners of judicial and other powers that had rested with the chiefs (including, perhaps not incidentally, the revenue they received from exacting fines).[45] "The king of a country however small, if he cannot settle small matters, is no longer king."[46] Not least, the aggressive implementation of the tax by the Frontier Police[47]—sometimes ex-slaves taking revenge on their former masters—created antagonism. As so often, this conflict, while directly associated with taxation, reflected other, deeper sources of tension. And ham-fisted implementation can be as provocative as the tax itself.

A royal commissioner, sent to find out what had gone wrong, recognized the powerful mix of causes behind the war. Resistance arose, he said, from the "sense of personal wrong and injustice from the illegal and degrading severities made use of in enforcing the Tax," which was in itself "obnoxious to the customs and feeling of the people."[48] He recommended that the hut tax be abolished, the police force brought under control, and the authority of the chiefs increased. The hut tax, however, was not removed. It was simply reduced to 3s. Bai Bureh, meanwhile, became an enduring national hero in Sierra Leone: a hospital and football club are named in his honor, and in 2013 he was pictured on the 1,000-leone banknote.

This revolt was far from being the only one prompted by colonial hut taxes. In German East Africa, 2,000 people are said to have been executed for nonpayment. Possibly the most bizarre colonial tax conflict, however, centered around dogs—who will make a surprisingly frequent appearance in our stories of taxation. This was the armed resistance by



Tax warriors: Bai Bureh and Hone Toia.

the Maori of Hokianga County in New Zealand to a tax on every dog in the district (as well as a “wheel tax” based on a vehicle’s tire width). This tax was also seen as infringing the autonomy of the indigenous people. Troops were mustered. But things ended, happily, without (human) bloodshed. Not, however, before the leader of the resistance, Hone Toia, made one of the more memorable utterances in tax history: “If dogs were to be taxed” he prophesied, “men would be next.”[49]

Another dog-tax episode, however, ended far from peacefully. In 1922, the Bondelswarts, a nomadic group in German Southwest Africa (now Namibia), rose up against an increase in the dog tax that had been imposed in 1917.[50] This tax was no small matter, as dogs were central to their pastoral way of life, used for hunting and protecting their livestock from vermin. The South African government, exercising its postwar mandate in the area, used aircraft to bomb the group into submission—one of the first instances of the deliberate bombing of civilians—and ultimately, more than 100 Bondelswarts were killed. Eyebrows were raised at the League of Nations, but nothing was actually done.[51]

The Hut Tax and Dog Tax Wars of Sierra Leone and New Zealand show how tax revolts, and their lasting consequences, are sometimes as much about the way in which the government treats taxpayers, and the claim to sovereignty underlying their exercise of coercion, as they are about how much the taxes aim to extract. In less bloody times, the concern has often been with mere intrusiveness. This is a recurrent theme in the story of taxation. For instance, later in this chapter we will get a taste of the resentment felt under the later Stuarts of tax officials' rights to enter people's homes to count their fireplaces. This is echoed by today's concerns that, in the digital age, governments may come to know more about us, for tax and other purposes, than we would like.

Why Bolivia Is Landlocked

In December 2019, the Trump administration threatened to levy hefty tariffs on selected and quintessentially Gallic imports from France (champagne, cheese, handbags, etc.), in retaliation for the planned introduction there of a "digital services tax." For the United States, this tax was just an attempt to grab revenue from American companies like Google and Facebook. For France, it was an attempt to ensure that companies making good money there also faced a reasonable tax bill. Who should tax multinationals, and how, has become the stuff of headlines and street protests over the past few years. But the issue is not new (even as between the United States and France, it turns out, a similar spat having broken out between them in very pre-digital 1934).[52] And while the dispute between the United States and France (soon joined by many others planning similar taxes) threatened to blow up into a trade war, in nineteenth-century Latin America a dispute over taxing rights led to a real war, and one that shaped our world not just metaphorically but literally.

This was the "Ten Cents War"[53] of 1879 to 1884, which pitched Chile against an alliance of Bolivia and Peru. It emerged from a longstanding argument about where to draw the border between Bolivia, which had access to the Pacific coast through the province of Atacama, and Chile. No one much cared who owned Atacama, largely desert, until the 1840s, when it was discovered to be rich in guano and nitrates. Chileans then moved in large numbers into the disputed region, as well as farther north into the Peruvian province of Tarapacá, which contained most of the rest of the world's nitrates. Some resolution was reached in a boundary treaty of 1874, by which Chile renounced its territorial claim in return for Bolivia's concession that:

> The duties of exportation that may be levied on minerals exploited in the [ceded] zone . . . shall not exceed those now in force; and Chilean citizens, industry, and capital shall not be subjected to any other contributions whatever except those now existing. The stipulations in this article shall last for twenty-five years.[54]

This is what would now be called a "fiscal stability clause," guaranteeing that Bolivia would not raise the tax rate on Chilean companies operating within its borders. Companies naturally value assurances about their future tax treatment, especially when, as in mining, they incur heavy up-front costs that cannot be recovered if things turn out badly. But governments can regret forgoing sources of revenue they may have much need of later. So it proved, at any rate, in this case.

In February 1878, Bolivia decided to impose an export tax on minerals of 10 centavos per quintal.[55] Chile immediately saw this tax increase as violating the 1874 treaty. Bolivia stood firm and announced on February 14, 1879, that it would liquidate the assets of the Compañía del Salitres y Ferrocarril, the primary Chilean company affected, so as to meet its tax obligations. That same day, troops from two Chilean ironclads occupied the Bolivian port of Antofagasta in the Atacama, and the war began. Peru, which had signed a secret treaty of mutual assistance with Bolivia in the event of war with Chile, entered the conflict the next month.

The war did not go well for Bolivia or Peru.[56] At its end, the province of Atacama passed to Chile, and Bolivia became landlocked. Peru lost Tarapacá. Chile gained land and control of most of the world's nitrate

Fighting for fiscal stability.

deposits and some of its richest copper deposits. Although Chile guaranteed Bolivia free commercial access to its Pacific ports, Bolivia's claim for a corridor of access remains a source of diplomatic tension to this day. The ongoing dispute was still before the International Court of Justice in 2018, when it ruled against Bolivia,[57] whereupon the Bolivian president vowed that "Bolivia will never give up." The missing province is still represented in Bolivia's parliament, and in the contest to become Miss Bolivia.[58]

Taxing the Light of Heaven

There is no bloodshed in our last story, but it takes us to the heart of the tax-design problem. This is the tale of the window tax, imposed in Britain from 1697[59] to 1851. At first blush, taxing windows may seem anachronistic or just plain folly. But it was actually pretty clever.

The problem faced by the government of the time was to find a tax based on something that: increased with wealth (for fairness); was easily verified (to avoid disputes); and—being intended to replace a tax on hearths (that is, fireplaces), much hated for requiring inspectors to check inside the property, imposed by the recently deposed Stuarts—observable from afar. The answer: windows.

The number of windows in a house was a decent proxy for the grandeur and wealth of its occupants, so that on average, wealthier people would owe more window tax. And it could be assessed from outside by "window peepers."[60] In an age that lacked Zillow.com or any other way to estimate on a large scale and with reasonable accuracy the value of residential property, this tax was not such a bad idea. Indeed, a window tax is essentially a (very) simple version of the computer-assisted mass appraisal systems by which some developing countries now assess property tax, valuing each house by applying a mathematical formula to a range of relatively easily observed characteristics (location, size, and so on).[61]

Clever though the window tax idea was, it had limitations of a kind that pervade other taxes as well. It was not, for instance, a very precise proxy. That led to unfairness. Adam Smith was irked that:

> A house of ten pounds rent in a country town may sometimes have more windows than a house of five hundred pounds rent in London; and though the inhabitant of the former is likely to be a much poorer man than that of the latter, yet so far as his contribution is regulated by the window-tax, he must contribute more to the support of the state.[62]

And even though the tax only applied to properties with more than a certain number of windows, which went some way toward easing the burden on the poorest families, the tenement buildings into which the urban poor were crowding counted as single units for the purposes of the tax, and so were usually not exempt from tax.

The window tax also encountered the difficulty that it induced changes in behavior by which taxpayers reduced how much they owed, but only at the expense of suffering some new harm. The obvious incentive created by the tax was to have fewer windows, if need be by bricking up existing ones, as remains quaintly visible to this day on distinguished old properties (and some undistinguished ones). Light and air were lost. The French economist and businessman Jean-Baptiste Say (1767–1832) experienced this response first-hand when a bricklayer came to his house to brick up a window so as to reduce his tax liability. He said this led to *jouissance de moins* (enjoyment of less) while yielding nothing to the Treasury, which is a felicitous definition of "excess burden":[63] the idea—one of the most central and hardest to grasp in thinking about taxation—is that the loss which taxpayers suffer due to a tax is actually greater than the amount of tax itself. Excess burden is the collateral damage of taxation, and we will take a close look at it in chapter 9.

The harm done by vanished windows was not trivial. Poor ventilation spread disease; lack of light led to a deficiency of vitamin B that stunted growth—what the French came to call the "British sickness." Opponents reviled the tax as one on "the light of heaven"; the medical press protested that it was a "tax on health."[64] Philanthropic societies hired architects to design accommodation for the poor so as to reduce liability to the window tax,[65] and great minds of the time railed against it. Benjamin Franklin, when Minister to France, may have had it in mind when in 1784 he wrote to the editor of the *Journal of Paris* musing on the benefits of natural light. Among his recommendations (ironic, we presume) was ringing church bells and/or firing cannons at sunrise to wake everyone up. (For our narrative, though, more noteworthy was Franklin's proposal for what is effectively the precise opposite of the window tax: a tax "on every window that is provided with shutters to keep out the light of the sun.")[66] Charles Dickens was straight up irate:

> The adage "free as air" has become obsolete by Act of Parliament. Neither air nor light have been free since the imposition of the window-tax . . . and the poor who cannot afford the expense are stinted in two of the most urgent necessities of life.[67]

France followed the British example, adopting a tax on windows (adding an equally hated tax on doors) in 1798, leading the saintly Bishop of Digne of *Les Misérables* to pity "the poor families, old women and young children, living in those hovels, the fevers and other maladies! God gives air to mankind and the law sells it."[68]

Let there be (a bit less) light.

At the other end of the scale, the super-rich might revel in the ostentation of their windows. When, in Jane Austen's *Pride and Prejudice,* the unctuous Mr. Collins proudly displays the magnificent property of his patrons to Elizabeth Bennett, she "could not be in such raptures as Mr. Collins expected the scene to inspire, and was but slightly affected by his enumeration of the windows in front of the house, and his relation of what the glazing altogether had originally cost Sir Lewis de Bourgh."[69] Because people preferred to both keep their windows and pay less tax, the response to the window tax, as with most taxes, was largely a story of evasion and avoidance, disputes, and legislative change trying to clarify the tax rules about what was and was not subject to tax. When visitors today take a punting outing on the River Cam in Cambridge, the guide may point out a house on the bank with a window on the corner of the building, supposedly designed to let light into two adjacent rooms that counted as just one window for purposes of the tax. The government caught on to that trick, however, and in 1747 introduced legislation stipulating that windows lighting more than one room were to be charged per room.[70] A less subtle ploy was to hoodwink the window peepers by temporarily blocking windows "with loose Bricks or Boards, which may be removed at Pleasure or with Mud, Cow-dung, Moarter, and Reeds, on the Outside, which are soon washed off with Shower of Rain, or with paper and Plateboard on the Inside."[71] In response, the same 1747 law also required that no window that had been blocked up previously could be unblocked without informing the surveyor, with heavy fines for violation.

Disputes, favoritism, and upset abounded. What exactly, for instance, is a window? Questions with seemingly obvious answers can get murky when lots of (tax) money is involved. The wording of the act seemed to imply that any hole in an exterior wall, even from a missing brick, was a taxable window.[72] The rules did become clearer (or at least more complex) over time; the 1747 reform, for instance, clarified that when two or more panes were combined in one frame, they counted as distinct windows if the partition between them was more than 12 inches wide. In any case, the tax commissions, consisting of local gentlemen, tended to apply the tax much as they wanted. This practice created many opportunities for favoritism. John Wesley, founder of Methodism, complained about an acquaintance with 100 windows paying only for 20.[73]

The window tax was very imperfect. But it was not a folly. And it illustrates the key challenges that are at the heart of the tax-design problem: the quest for tolerable fairness, the wasteful behavioral responses that the tax induces, and the desire to administer a tax cost effectively and nonintrusively. These challenges are taken up in turn in later chapters of this book. Many governments, as we will see, have done far worse that the window-taxers did.

Not Everything Is About Tax. But . . .

De Tocqueville's point can be overstated. Not all rebellions, wars, or political battles are about tax (mainly, at least). Even those that have been stuck with a "tax" label are almost always about much more than that. And sometimes it can be convenient to cloak baser motives in the grand rhetoric of high tax principles. There is a flavor of this subterfuge not only in patriotic Boston but also in arguments sometimes heard that root the American Civil War not in slavery but in a dispute over tariff policy between North and South.[74]

At other times, however, the tax angle may be more central than it is convenient to reveal. It may be too much, for example, to suppose that Henry VIII's break with Rome was triggered not by his passion for Anne Boleyn and the Pope's refusal to allow him to indulge it by divorcing Catherine of Aragon, but by his lust for the revenues being extracted by the papacy from the Church in England.[75] The massive fiscal side-benefit of expropriating those revenues, however, can hardly have been lost on a king whose recent revenue-raising attempts had resulted in rebellion. In any case, Henry used the threat of usurping the taxes paid by clerics to Rome as a lever in his maneuvering with the Pope; moved quickly to do so when the break came;[76] and in time managed, as a result, to more than double his revenue[77] (then proceeding to waste it on some of the most expensive wars that England had ever fought).[78] Revolts, riots, and even reformations are inherently about the exercise of government's coercive powers, and tax issues are then rarely far away.

Tax does not explain everything. Unlike some observers, we do not believe that President Kennedy was assassinated because he was about to roll back a tax break for the oil and gas industry.[79] But just as tax mistakes can have horrendous consequences, so we believe that good tax design and administration can deliver enormous benefits—and that a close look at the tax follies and wisdom of our ancestors can set us on the right course for doing so.

For this purpose, we start with the big picture of how, over the millennia, the ways in which governments have exercised their coercive taxing powers have changed while many of the underlying problems they face in doing so have not.

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