

Colloque Charles Gide

Strasbourg, 14-16 April 2016

**The influence of French political economists on the ideas on taxation in Spain in the 19th century. The case of progressive taxes**

Javier San Julián Arrupe

University of Barcelone

**Abstract**

During the 19<sup>th</sup> century, and particularly in its second half, the consolidation of liberal regimes in Western Europe triggered discussions on the organization of tax systems, in public opinion and among economists. As the century approached its end, one of the most important debates concerning public finance was the issue of introducing graduate rates in direct taxes. This matter was closely linked to the emerging debate on the income tax which slowly spread all over the continent. Spain was not an exception in this regard. During this period not a small number of pieces of public finance literature were published, in particular quite many handbooks. Although the discussion on the problem of the income tax was not very developed among Spanish economists, the matter of progressivity did occupy some space in the works of these authors. In these works by Spanish finance specialists; their main doctrinal influence came from French authors, especially liberal. This paper tries to assess more precisely the fiscal trends which coming from France spread in Spain and exerted their influence on the ideas on public finance for Spanish authors, particularly in the issue of progressivity. There was apparently a strong connection between French and Spanish liberal schools of economic thought. Although the debate on fiscal progressivity was older and more intense in the French case, at the end of the century in the framework of the reform in the succession tax in Spain, the debate on progressive rate emerged with unusual strength. French influence on Spanish authors showed up strongly too.

## **The influence of French political economists on the ideas on taxation in Spain in the 19th century. The case of progressive taxes**

Javier San Julián, University of Barcelona

### **Introduction**

Allocating tax burden is a central matter in public finance. Taxes are expected to fulfil the first principle of justice in taxation, that of equity. Musgrave defined it: “each taxpayer should contribute his “fair share” to the cost of government”.<sup>1</sup> However, assessing “fair share” is intricate. Two principles have been traditionally used to distribute the tax burden: Benefit principle and ability to pay principle. The benefit principle states that each one must contribute to the expenses of the state on behalf of the services enjoyed, on an equivalent basis. Naturally, this leaves the problem of measuring the value of those public services enjoyed by the individual. Economists supporting this approach mostly consider that it calls for proportional taxation, as they plainly suppose the main service rendered by the state is protection of lives and property.<sup>2</sup> In general, it seems that the equity requirement is better attained by using the principle of ability to pay as the basic criterion in the design of the tax structure. It states that every citizen should pay taxes according to his/her faculties to do so. Modern doctrine of ability to pay was established by J.S. Mill, who, in the utilitarian framework, formulated equal treatment in taxation as equality of sacrifice, setting the bases for further discussion in the following decades, and opening the door to progressive taxation: Taxpayers would be treated equally if their payments involved an equal loss of welfare. Again, this poses a new problem; this is, assessing loss of welfare.<sup>3</sup> But the core problem progressivity posed was (and still is) how tax rates should increase when income (or any other measure of welfare) increases. This matter does not seem to have been solved: Vickrey plainly defined progressive taxation as “taxation that conforms to a concept of ability to pay, which in turn is deemed to

---

<sup>1</sup> Musgrave (1985), 18.

<sup>2</sup> This is obviously and endless debate. Myrdal, for instance, pointed out that the question why taxation should be proportional to interests had never been discussed in depth. Myrdal (1990), 162.

<sup>3</sup> Musgrave (1985), 18-19. The debate would be later continued by Edgeworth, deducing equal marginal sacrifice as the optimal solution, Sidgwick, Wagner (who introduced a social welfare principle), and Pigou.

increase more than in proportion to various cardinally measurable indicia of the individual's economic status".<sup>4</sup> Neumark, considering that the real ability to pay of individuals grew more than proportionally than the increase in welfare indicators, believed from a more pragmatic perspective that a certain progression should be implemented in fiscal systems at least in order to compensate the presence of regressive taxes. However, in his opinion, tax progression can only be justified in the sphere of principles, but not in what concerns to its specific execution: it is not possible to say that a particular progression is fair. Slemrod openly said, "we don't know what the right degree of progressivity is".<sup>5</sup> Tax progressivity involves a certain degree of arbitrariness; and its extent in the tax structure unveils political stances. Usual tradeoff between efficiency and equity comes to complicate the matter.<sup>6</sup>

Discussion on progressive taxes expanded during the 19<sup>th</sup> century all around Western Europe, as the principle of ability to pay was gradually more accepted by economists. This issue was discussed both in the writings of public finance specialists and also in the political realm, as graduated taxes were increasingly sponsored by some parties. This paper gets back to these discussions focusing on the Spanish case. Spanish economists and policymakers were not exceptions in the emergence of discussions on progressivity. Their lines of reasoning showed a strong dependency on foreign economists' works, particularly French liberal economists. Although there were some exceptions, the majority of Spanish economists believed that it was proportionality the right technique for taxation, they being repulsed by potential effects of progressive taxation on capital and wealth. This paper tries to assess the presence of French authors and their influence in the debate on progressive taxes in Spain. This paper has three sections. First is a quick overview of the penetration of French liberal authors into Spain in the 19<sup>th</sup> century. Second sees to the reception of classical liberal general principles of taxation, in which the influence of J.B. Say was prominent. Third section shows the positions of Spanish economist with respect to progressive taxes. Some concluding remarks follows.

---

<sup>4</sup> Vickrey (1994), 171.

<sup>5</sup> Slemrod (1994), 1-4.

<sup>6</sup> Assessing this tradeoff has concerned a great deal of economists and guided economic policy agendas. Neumark (1994), 189-197. Vallejo stressed that fiscal reform is the outcome of a compromise among policymakers' interests. Vallejo (2001), 41-42.

## A short review of French political economy in Spain in the 19<sup>th</sup> century

Many authors have analysed the penetration of French economic literature in Spain and its influence on Spanish authors in the 19<sup>th</sup> century. Data on the diffusion of economic works in Spain during that century suggest a strong influence of foreign authors, including Smith, Say, Bastiat and other liberal writers of the middle years of the century, especially French (such Garnier, Rossi, etc.) Although Smith's work was diffused in Spain somehow early, soon Jean Baptiste Say became the main vehicle for the penetration of liberal classical economics in Spain, as his works were shorter, more pedagogical and easier to understand than Smith's, and besides, his economic ideas were found useful to be applied to the Spanish circumstances.<sup>7</sup> His influence grew especially since 1820, when the diffusion of Smith lost energy.<sup>8</sup> The works by the major Spanish economic writers of the first part of the 19<sup>th</sup> century (Flórez Estrada and Canga Argüelles) showed the influence of both Smith and Say, but the latter was prominent on Jaumeandreu, Gutiérrez, Valle Santoro, Espinosa, etc. between 1808 and 1840. Since the second third of the 19<sup>th</sup> century the main stream of economic doctrines influences in Spain came unquestionably from France. Lluch and Almenar plainly stated that, directly or indirectly, all Spanish economists of the 19<sup>th</sup> century owed something to Say.<sup>9</sup> Say's followers (Storch, Droz, Blanqui, Garnier, Rossi, etc.) replaced the master's influence on Spanish economists since the decade of 1840.<sup>10</sup> Academic institutionalization of political economy in Spain reflects this French preminent

---

<sup>7</sup> Say himself justified the issuing of his *Traité d'économie politique* on a didactic basis, as a way of making Smith more comprehensible. In fact, Spanish professors of political economy used Say works in their courses instead of Smith's because of its clearer explanations and the better organization of the text. According to Cabrillo, Say became the most read foreign economist in the first half of the 19<sup>th</sup> century. All Say's translations into Spanish were issued in the first third of the century: The first volume of the Spanish version of the *Traité d'économie politique* (first original issued in 1803), was already published in 1804. By 1838 this work had eight editions and four different translations, becoming the most spread foreign economic book in Spain in the 19<sup>th</sup> century (the Spanish Government agreed in 1807 to make it the textbook for Political Economy studies at the university). The *Catéchisme d'économie politique* (1815) had six Spanish editions between 1816 y 1833. Cabrillo concludes that, for the first third of the century, the Spanish economists knew well the main economic works published in France, but not the English ones. Cabrillo (1978).

<sup>8</sup> As Castro-Valdivia shows, J.B. Say's first market for his ideas was Spain. Spanish was most translated language of Say's works, and his records were quite impressive: almost 30 translations of Say's works in Spanish in the first half of the 19<sup>th</sup> century, comprising seven of his most remarkable works among which 10 translations of his *Traité*, (all editions except for the 3<sup>rd</sup>), 9 of the *Catéchisme*, and 5 of the *Lettres*. See Castro-Valdivia (2013).

<sup>9</sup> Lluch and Almenar (2000), 109-110.

<sup>10</sup> Almenar (2000), 33; Martín Rodríguez (2000), 612.

influence. Some of the few early teachers of political economy in Spain used Say's works: This was the case of Jaumeandreu in his chair of the Board of Trade in Barcelona, Valle and Ponzoa, teaching respectively political economy and public finance in the Athenaeum of Madrid.<sup>11</sup> In the lists of handbooks to be used in universities issued since 1841 by the Council of Public Instruction, Say and followers' influence emerged too. The first list recommended the works by Valle Santoro, Flórez Estrada, Torrente and Rossi, Droz being added later. Although Say's *Traité* was included in the list of 1845 (in Ponzoa's version), this list points to the beginning of the decline of the influence of Say, it being replaced (leaving aside some ephemeral Ricardian influences in Rossi and Flórez Estrada), by a new eclectic political economy which differentiated economic theory and economic policy, represented by Bastiat and the group of the *Journal des économistes*, they becoming absolutely dominant. This supremacy was enhanced by the debate on the liberalisation of international trade and Cobden's journey to Spain (1846). In fact during the second third of the century, and in the framework of the debate between free trade and protectionism, Bastiat became extraordinarily widespread.<sup>12</sup> Garnier's *Elementos de economía política* (1846, Spanish version) was soon included in the list of compulsory books too, hammering this French influence in economic teaching.<sup>13</sup> On the contrary, it seems that British classical theory never rooted in Spain.<sup>14</sup> After 1860 the panorama did not change substantially: Bastiat continued being read, and other liberal works made their appearance, especially numerous French handbooks, welcomed by Spanish liberal economists. Leaving aside

---

<sup>11</sup> Ponzoa was the translator of the 5<sup>th</sup> edition of Say's *Traité d'économie politique* in 1835, and would presumably use it in teaching. Valle used his own *Curso de economía política*, whose theoretical part was influenced by Say and Storch, but his handbook was apparently also used in universities. There were nevertheless some traces of critics to classical views, such as Sismondi. Perdices (2007), 103.

<sup>12</sup> Bastiat became the most popular author among Spanish liberal economists since the end of the decade of 1840. *Sophismes économiques* (1846) had six Spanish editions between 1846 and 1859, based on three different translations. *Harmonies économiques* (1850) was at least issued five times in Spanish from 1858 to 1880. *Cobden et la ligue* (1845) was published twice, in 1847 and 1865. Other liberal authors were also widely spread in Spanish: The translation of Garnier's *Eléments de l'économie politique* (1846) was edited five times between 1848 and 1870, and Thiers' work *De la propriété* (1848) reached seven different Spanish editions only in that year! Other economists translated into Spanish in the middle decades of the century were Molinari, Blanqui, Droz, Rossi and Walras. The exception was Sismondi.

<sup>13</sup> In 1850 the list was reduced to the texts by Valle, Colmeiro and Garnier. These texts had the classical three part structure taken from Say's *Traité*: production, distribution and consumption. Spanish texts usually added a last applied part devoted to Spain's economic policy. Martín Rodríguez (2000), 605-616.

<sup>14</sup> James Mill's *Elements of Political Economy* (1821) was published in Spanish as soon as in 1822, but Malthus' *Essay* (1798) was not translated until 1846 from a French edition. McCulloch had two works translated: *Principles of Political Economy* (1825) in 1855, and *A Treatise on the Principles and Practical Influence of Taxation and the Funding System* (1845) in 1857. Cabrillo (1978), 76-78.

some eclectic influences on the group of Krausist economists and of some Catholic economists close to the Church's social doctrine, only at the end of the century French influence started being replaced by German authors close to the Historical School.

### **The reception of classical general tax principles in Spain: J.B. Say**

Classical treatment of public finances stemmed from the foundations provided by Smith in book V of *Wealth of Nations*, where his four maxims of taxation (equality, certainty, convenience and economy in collection) were enunciated.<sup>15</sup> These maxims were adopted, amended and diffused by many economists in the 19<sup>th</sup> century. In the case of Spain, there is wide agreement that it was Jean Baptiste Say the main character in the introduction of Smithian economics, including fiscal principles. Say listed five characteristics for taxes to be "least bad", parallel to Smith's: moderate fees, efficient in collection, equitable in allocation, harmless to economic reproduction and favourable to morality.<sup>16</sup> A few Spanish economists drew their positions directly from Smith,<sup>17</sup> but the majority – including the most prominent – followed Say's works: Jaumeandreu, the professor of political economy in the chair of the Board of Trade of Barcelona in the early 1800s, also enunciated four maxims for taxation in his work of 1816, almost identical to those by Say.<sup>18</sup> Flórez Estrada, the introducer of Ricardian economics in the Paeninsula, also accepted Smith's four maxims, but added an extra one – which he considered the grounds of all the rest – which was actually Say's *Traité* first maxim.<sup>19</sup> Canga Argüelles followed Flórez.<sup>20</sup> Later public finance authors in the middle decades of the century did not detach from these influences: Torrente's

---

<sup>15</sup> O'Brien (2004), 288; Smith (1976), 825-826.

<sup>16</sup> Say (2001), 448.

<sup>17</sup> This was the case of Alcalá Galiano, who was in fact the introducer of Smith's fiscal theory in Spain. Taxes should be simple, certain, uniform in fees and collecting procedures, efficiently managed, clearly and publicly regulated, and collected so that they caused the least inconvenience to taxpayers. Alcalá Galiano (1788), 11-55.

<sup>18</sup> Taxes should be equally distributed, certain, and efficient. Jaumeandreu (1816), 293-295. Jaumeandreu used Say's *Traité* in his teaching in Barcelona. Aracil (2001), 21.

<sup>19</sup> "Taxes should be very moderate, and linked to the development of citizens' wealth". A tax system regarding these five maxims would be the least onerous to people and the most productive to national Treasury. Flórez (1828), 304-314.

<sup>20</sup> Canga said that the best tax would be that easy and efficient to collect, falling with equity on everybody and harming the least to people's interests. Taxes should be moderate (later he said "as low as possible") and harmonised with personal interests, and should foster sources of wealth, neither interrupting labour division and flow, nor circulation of commodities and capital. Canga (1833), 46-52.

widespread handbook included Say's tax bases; López Narváez also listed tax bases similar to Smith and Say's; the same can be said of Toledano's thirteen bases (1859); Colmeiro approved Smith's bases.<sup>21</sup>

These general rules for taxation in Spanish authors were accompanied by the idea of a quite limited intervention of the government in the economy, with minimum public expense. This view was probably more influenced by French authors (from Say to later optimistic liberals), rather than by Smith.<sup>22</sup> Say's *Course* considered taxes as inefficient distribution of wealth that, instead of being assigned to productive activities, was handed to the state, which invariably used it in an unproductive way: Public expenditure and then taxes should be the lowest possible. This fit the tax benefit principle: taxes should match services provided by the State.<sup>23</sup> To Bastiat, taxes did not necessarily mean a social loss, but crowding-out effect existed: Public services were always less efficient than private, simply because the latter were grounded on personal interest.<sup>24</sup> Spanish authors reflected these opinions swinging between pessimistic and mild views of public expenditure. Jaumeandreu followed directly Say: Taxes were wealth spent on unproductive consumption, "value that had no other end but to be destroyed".<sup>25</sup> Flórez did not believe that State consumption was unproductive, as it aided national production. However, he joined Say's idea that value embedded in taxes did not return to taxpayers: This is why, in order not to harm national production, a sound tax system should seek that taxes do not fall on wealth linked to production, but

---

<sup>21</sup> Torrente (1835), 144-147; López Narváez (1856), 50-54; Toledano (1963), 585-590; Colmeiro (1873), 458-460.

<sup>22</sup> This contrasts with Smith's government agenda, by no means as narrow as that of French 19<sup>th</sup> century liberals. Smith (1976), 689, 708 and 723. Mill also stated that non-interventionism should be the general practice, but admitted several exceptions. Mill (1965), 800. The opposite position was that of Ricardo, who quoted Say: "The very best of all plans of finance is to spend little, and the best of all taxes is that which is least in amount". Ricardo (1817), 159.

<sup>23</sup> Say supported temperate tax fees: High fees destroyed tax base, thus future revenues. In his *Cours*, Say insisted on the doctrine of taxes as pure exchange for services. Taxation implied submission of value to the state, and consumption of this value did not mean its restitution to society; on the contrary, it became poorer by the amount of tax. The legitimacy of any tax should be measured according to the cost of the services provided by the government. Say (1852), 378-379 and 385-394.

<sup>24</sup> Bastiat considered taxation a simple case of his doctrine that services are exchanged for services: "It [tax] is not a loss [as Say said]; it is an exchange". But he followed Say when contending that fairness in taxation would be achieved when the state demanded every citizen a levy equivalent to the services he/she had received from it. But, as far as this was not possible to assess, the state had to search for an average equivalence between both services exchanged. Bastiat (1880), 365-384.

<sup>25</sup> He acknowledged that government expenditure produced benefits to society, but imposing taxes was always an evil. This was why taxes should be as moderate as possible. Jaumeandreu (1816), 304-307.

on wealth devoted to sterile consumption.<sup>26</sup> Canga supported a very limited state, as intervention hindered production, but acknowledged that public works were productive expenditure.<sup>27</sup> Later authors' opinions varied too: Valle stood for the old idea that taxes were "a necessary evil", whereas later Colmeiro believed that government expenditure aided production.<sup>28</sup> Perhaps the big exception was Miranda, whose work, written immediately after the 1868 Revolution, had a highly positive concept of taxes: they were never evil but a burden of justice, embodied a moral principle and actively supported production. Taxes were necessarily compulsory, the basis for individual's entitlement to the exercise of civil rights.<sup>29</sup>

### **The origins of Spanish ideas: Progressivity in the classical liberal school**

Being importers of economic ideas, the positions of Spanish economists on the issue of progressivity followed this same trend, being borrowed from their European colleagues, especially from classical liberal authors, among which French stood out. However, ideas on progressivity in classical economists were far from unified and often ambiguous, especially in the first classical (the generation of authors of the middle decades of the 19<sup>th</sup> century, in particular the French and their followers supported proportional taxes more clearly). The discussion on proportional versus progressive taxation depended upon the basic approaches to tax equity, benefit and ability to pay approaches. Traditionally, it was considered that the benefit approach led to proportionality. The theories of taxation as an insurance premium or a payment for the protection of property were variants of the benefit approach.<sup>30</sup> But again there was not unanimity among benefit theorists: Rousseau, Sismondi or Condorcet supported

---

<sup>26</sup>Flórez (1828), 285-288.

<sup>27</sup>Canga (1833), 16-17, 34-35.

<sup>28</sup>Valle (1842), 481-482; Colmeiro (1873), 545-456.

<sup>29</sup>Miranda grounded taxation on the benefit approach and on a fairness basis by which all individuals had to contribute. Miranda (1869), 44-64. This concept of taxes was shared by other members of the *Economist School*, among whom its leader Figuerola.

<sup>30</sup>Seligman said that the logical linkage between the benefit theory and proportional taxation was modified by the theory of the exemption of the minimum of subsistence, and later openly attacked on the basis of the impossibility of assessing the value of the advantages provided by the government, and of the fact that benefits might not be proportional to income or capital, but progressive. Most part of State benefits are enjoyed by the rich, hence they should pay more, also in relative terms. Seligman (1894), 81-85. Mill, on the contrary, thought that the poor needed more protection, hence they should pay more. Mill (1965), 623.



progression. As for the ability to pay approach, the measure of “ability” changed over time. From a vision that prioritized property, it gradually shifted to a vision in terms of flow.<sup>31</sup> It would be only at the end of the 19<sup>th</sup> century that the idea of a comprehensive income tax as the best index of tax capacity developed. O’Brien showed in any case that many classical economists did not pay much attention to the problem of progressivity.<sup>32</sup> Smith’s first maxim pointed out to the ability to pay principle, but then shifted in the direction of benefit. Placing him in the proportional side is not indisputable, as he exempted the minimum of subsistence, and referring to the tax on house rents, he famously said that it would not be “unreasonable” that the rich paid more than in proportion to their revenue.<sup>33</sup> Among English classical, Ricardo directly neglected the problem of graduation, which had its most enthusiastic supporter in Paley’s old work and its most vigorous opponent in McCulloch.<sup>34</sup> Mill’s ideas on equality of sacrifice as the true principle of tax justice shifted the discussion: “Equality of taxation, therefore, as a maxim of politics, means equality of sacrifice. It means apportioning the contribution of each person towards the expenses of government, so that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his”. Mill then deduced that equal sacrifice called for a proportional tax on income, exempting subsistence. He rejected progressivity fearing its disincentives to effort and thrift, but promoted it on succession taxes.<sup>35</sup> In any case, and with the very relative exception of Mill, these authors exerted very limited influence, if any, on Spanish economists.

---

<sup>31</sup> Seligman explained that at the time of the French Revolution it became associated with income, it being broadly believed that ability to pay called for proportional taxes. Later, it was said to be income over the minimum to subsist (Bentham and Steuart approved this scheme): Taxes should be proportional, but fall only on the part of income beyond the minimum. Thus, the resulting tax was not entirely proportional, but graduated. Later, when the concept of ability to pay introduced the idea of sacrifice, the index of ability combined both the amount perceived as income (production) and the requirements individuals should fulfil when using their income (expenditure). Equality of sacrifice turned out to be the basic concern: ability to pay would be measured according to the sacrifice involved in giving a certain share of one’s income to the government. Equality in taxation would be determined by equality of sacrifice among taxpayers. Seligman (1894), 128-130; (1913), 242-246.

<sup>32</sup> O’Brien (2004), 294-311.

<sup>33</sup> See Smith (1976), 825 and 840-842. There have been a lot of interpretations of that passage, for instance Seligman (1894), 94; Lynn (1976), 373; Shehab (1953), 34-35.

<sup>34</sup> Paley (2002 [1785]), 444-448; McCulloch (1975), 32 and 141-146.

<sup>35</sup> In Mill’s opinion, the state should reduce inequality of opportunities, but not inequality of earned incomes. Mill (1965), 804-810.

Surprisingly enough, probably the most renowned liberal economist to defend progressive taxation was J.B. Say himself. He supported tax exemption to the minimum of subsistence, as taxes should not demand such sacrifice to the poor. Problems emerged when income grew, as discriminating essential from superfluous items was relative. In Say's opinion, the only equitable tax was the progressive.<sup>36</sup> But later French liberals, the main source of influences to Spanish fiscal writers, did not share this position, they being pegged to the benefit approach and calling for a proportional tax system. Authors such as Thiers, whose work *De la propriété* was very widespread in Spain, or Girardin, explicitly supported the theory of tax as an insurance premium and therefore, proportional taxes. The *Dictionnaire de l'économie politique* directed by Coquelin and Guillaumin, may be a good example of these positions. In the 1873 edition, the entry "impôt" (written by Passy) severely criticised progressivity: Graduated taxes were prejudicial to society for they disincentive hard work and thrift, hampering capital accumulation, and providing incentive to fraud and capital flight. Proportional taxes should be the only accepted, as "taxes should fall on things and not on persons", and individuals should be taxed according to what they enjoy of public expenditure.<sup>37</sup> The 1892 edition of the *Dictionnaire*, now under the direction of Léon Say and Chailley, devotes much more space to progressivity, gathering the ideas of liberals at the end of the century, and introducing a milder opinion on them. The author of the entry, Stourm, starts acknowledging that, although progressive rates do not follow mathematical laws, in practice they are limited "in order not to harm seriously any interest": rates are, thus, arbitrary.<sup>38</sup> Progressivity leads either to plunder or arbitrariness. He conceded that progressivity had been applied in some countries ("isolated experiences" showing that "progressive tax is susceptible of a moderate application, with no objection") and that some economists had approved of it. Stourm summarized the arguments in favour of progressivity in two points: First, progressive tax could redress regressivity of indirect taxes, especially on necessities; second,

---

<sup>36</sup> "On voit donc qu'un impôt qui serait simplement proportionnel au revenu serait loin cependant d'être équitable... J'irai plus loin, et je ne craindrai pas de prononcer que l'impôt progressif est le seul équitable". Say (1841), 548. This is probably the most determined statement of defense of progressive taxation among major economists in the 19<sup>th</sup> century. In his *Cours*, Say also expressed his support for progressivity. Say (1966), 495.

<sup>37</sup> Passy (1873), 909-910.

<sup>38</sup> This has remained the main flaw of progressivity. See for instance Neumark (1994), pp. 189-197; Slemrod (1994), pp. 1-4.

progressive tax was a leveller of wealth. This second argument grounded on the doctrine of equality of sacrifice, and would become a “terrible weapon” in the hands of revolutionaries. Although Stourm acknowledged that a moderate application of progressivity could render good results (redress regressivity), it should be rejected as it was not possible to define fair rates.<sup>39</sup>

In spite of these positions, it cannot be ignored that as the century advanced, more economists started accepting mild forms of progressivity, usually linked to the undeniable fact that indirect taxation, especially on consumption goods, resulted in overall regressive tax systems. Some asked for tax exemptions for minimum income or capital, and others highlighted the need for a compensatory effect. In any case, many of them continued supporting the benefit approach, incurring in a sort of contradiction. Among the French, the main representative of this tendency was Garnier, who, in this line of reasoning and in order to shore up his position, created a distinction between the progressive and the “progressional tax”. A progressive tax was that which had rapidly increasing graduate rates, eventually leading to confiscation. In the progressional tax, however, progression increased quite slowly and eventually stopped at a moderate maximum, so that it would not exceed a determinate fraction of income. Garnier justified this limited progressive tax with the reasoning that protection furnished by the state grows faster than wealth does.<sup>40</sup> Two other authors are worth to mention, at least for the reason of their notable influence on Spanish economists in the last third of the century: Leroy-Beaulieu, one of the most prominent French public finance specialists, was a determined detractor of progressivity. Although he rejected the theory of the insurance premium as the fundamentals of taxation, he approximated the benefit approach when he supported proportionality: It was not the duty of the government to equalize the sacrifice of taxpayers, but simply to obtain a fair price in exchange for the services supplied by it. However, Leroy-Beaulieu also supported the exemption of a minimum of subsistence in taxes on

---

<sup>39</sup> “The excesses of progressivity are inherent to its own essence”. It would lead eventually to confiscation, and any attenuation was not but “arbitrary limits traced on sand”. Stourm (1892), II, 21-25. Stourm mentioned the latest projects of progressivity in the succession tax in France, only to condemn them.

<sup>40</sup> Garnier (1862), 81-87. This idea was already expressed in Garnier’s *Elements d’économie politique*, edited in Spanish in 1848.

income, and also progressive rates in the tax on tenants. In his opinion, in both cases progressivity was not real, but apparent. Exempting low incomes from taxation was simply a device to restore the real proportionality lost by the action of indirect taxes, which resulted in being regressive for these citizens a determined detractor of progressivity on the basis that it led to confiscation and correction of social inequalities, supported however the exemption of a minimum of subsistence as a compensatory device, to restore the proportionality lost by the action of indirect taxes.<sup>41</sup> Léon Say rejected the principle of equality of sacrifice and stated the impossibility of a mathematical progressivity.<sup>42</sup> He feared the consequences of progressive taxation (if rates were high, it destroyed capital; if moderate, it did not supply but very short revenues), however he also accepted the compensatory exception. Leroy called this *impôt dégressif*, which would relieve totally or partially low tax bases, but then charging the rest of taxpayers with a uniform tax rate. L. Say also accepted this idea, suggesting a tax relief to the lowest tax bases.<sup>43</sup> This was what Seligman called the “compensatory” approach, between the socialist and the individualistic approach to progressive taxation: A progressive direct tax served to compensate the negative effects of other taxes (indirect taxes) on people with low incomes. Proportionality was not under question, but the effect of regressive taxes called for compensatory devices. A great deal of economists of the last decades of the 19<sup>th</sup> century followed this approach without abandoning the liberal paradigm.<sup>44</sup>

At the end of the century the group of authors in favour of progressivity had expanded much more. According to Matéos, who made this analysis in France in connection with the debate on the income tax, supporters of progressivity (authors as Allix, Jèze, Merle or Truchy) resourced to tax justice, whereas opponents (Boucard, Cauwès, Guyot, Leroy-Beaulieu or Sturm) talked essentially of arbitrariness of progressive rates (which could lead to confiscation) and, in connection to the income tax, the need of

---

<sup>41</sup> Besides, progressive rates did not supply high revenues, as tax base was too small, and fostered fraud. See Leroy-Beaulieu (1892), 146 and (1906), 178-214.

<sup>42</sup> Léon Say (1886), 172-173 and (1894), 365.

<sup>43</sup> Leroy-Beaulieu (1906), 203-205; Léon Say (1894), 366; (1886), 180, 185 and 190-192.

<sup>44</sup> Seligman (1894), 73-77.

inquisitorial manners to assess the tax base.<sup>45</sup> No doubt the strongest doctrinal support for progressivity taxes at the end of the century was Chair Socialist thought, especially Adolf Wagner's. He contended that the state should actively foster a more equalitarian distribution of national wealth. Under this assumption, fiscal policy necessarily led to progressive taxation. Economic capacity grew more rapidly than income and wealth in absolute terms; hence a progressive tax on higher incomes applied.<sup>46</sup> Between the socialist and the individualist approach to progressive tax, there was the compensatory approach: In the framework of proportional tax system, a progressive direct tax would serve to compensate the regressive effects of other taxes (particularly indirect taxes). This argument served some authors to defend progressive direct taxes, distancing themselves from socialist doctrine. In this field it is possible to find a great deal of Spanish and French economists in the last years of the 19<sup>th</sup> century, who defended their positions without abandoning the liberal paradigm.

### **Tax progressivity ideas in Spanish economists**

Spanish economists in general rejected progressive taxation, even those who accepted the ability to pay approach as the right principle. This rejection was grounded on four main arguments: First, theoretical: Even supporting the ability to pay principle, progressive taxes could not be embodied in a coherent theory as the connection between increases of wealth or income and of ability to pay was obscure. Second, economic: Graduation would at some point result in confiscation, hampering capital accumulation and growth and suppressing incentives to thriftiness and investment. Third, juridical: The ultimate objective of graduation was wealth redistribution, and this was not a competence of the State. Fourth, practical: Applying it would be difficult and incentives to commit fraud were huge. Some economists, however, acknowledged that the principle of justice would be better applied if some exceptions to the

---

<sup>45</sup> According to Matéos, it was the extension of the power of the state that liberals rejected. Facing the tradeoff between more justice and absence of arbitrariness, French liberal economists would choose the latter. Matéos (2012), 92-93.

<sup>46</sup> Wagner (1891), 889. Some contemporaries of Wagner stressed the role of taxation, not only as an economic device, but also as a moral tool. In any case, the convenience of progressive taxes for the sake of equity in the framework of the ability to pay approach was more expanded, as in Sidgwick (1887) or Seligman (1894). In 1897 Edgeworth issued a new approach on the theory of equality of sacrifice grounded on the idea that the true ethical principle in taxation was not equal sacrifice, but minimum sacrifice.

proportional principle could be introduced in any tax, following the compensation idea.

*The major preference for proportional taxes with no exception*

The majority of Spanish finance writers in the middle decades of the century considered that a proportional tax system, even if not perfectly fair, was the best way to attain tax justice, rejecting progressivity on behalf of a variety of reasons which they recalled again and again. At the same time, leaving apart rare exceptions, they accepted the ability to pay principle. Conte, a well-known specialist was one of these exceptions. He believed in the principle of benefit and thought that a proportional tax fitted the principle of equity and justice, as every citizen should contribute in proportion to the wealth that the State protects. He however reckoned the problem to low income families, who might be deprived of their minimum to survive. Progressivity disguises as fairness, but in practice cannot be fair, for it does not follow any rule and its limits are vague. It is even unfair that some people were exempted. The rest of his objections to graduation were very well-known and expanded in many authors: Progressivity destroys wealth, punishes the rich without profit to the poor, rewards misery and idleness, entails a “death sentence to capital”.<sup>47</sup> Toledano, the author of another widespread handbook in finance, is a similar case: Although individual wealth might vary a lot, it all deserves equal protection. Taxes must fall proportionally on any source of wealth (net income), without privileges or exceptions. Even if he acknowledged that strict proportionality was impossible to attain, progressivity (despite its aim of justice) was discarded on behalf of the benefit principle, following Lamartine: If the State dispenses equal rights and protection to everybody, and taxes must keep proportion to these rights and protection, graduation cannot apply.<sup>48</sup>

---

<sup>47</sup> Conte had however some caution with respect to the working class, not only because labour was the most important element for production, but also because it was more vulnerable to perturbations. Labour class was a fragile class deserving attention from the government. Conte (1854), II, 21 and 25-28. Espínola, the author of another treatise on public finance in 1859, followed Conte's reasoning against progressivity. He gave a definition of tax close to Jakob, detaching himself from the idea of payment on exchange for services. Espínola (1859), 420 and 427.

<sup>48</sup> Toledano (1859-60), II, 433-434 and 442.

Membership of the Spanish liberal school (the so called *Economist School*) supported proportional taxation with no exception. Their arguments fit well to their idea of promoting Spain's development through a process of economic liberalisation able to foster investment. First, progressive tax rates erased incentives to effort, thrift and invest. Second, progressivity assumed that the State should level wealth, and this idea was unacceptable in the framework of liberal politics. The texts on public finance of the main representatives of the group contain these arguments. The problem of incentives was highlighted in the works by Miranda, Colmeiro, Madrazo, and particularly Pastor, one of the leaders of the school.<sup>49</sup> The problem of levelling wealth was mentioned by Colmeiro, Carreras and Miranda. Carreras pointed out that progress.<sup>50</sup> It is interesting that Miranda highlighted that the redistributive effect would be completely compensated by a fall in economic activity, the result of loss of incentives.<sup>51</sup> These lines of reasoning were so widespread among European liberal authors; it would not be unthinkable that Spanish liberal economists agreed on them with their main sources of influence, this is, French middle century liberals. In fact they reflect well the conclusions of the Lausanne conference on taxation, where it was stated that proportionality would be the fairest tax technique.

In the last two decades of the century this position subsisted. The finance handbook by Castaño, Olózaga and Salvá supported proportional taxation, after Leroy-Beaulieu: Following the principle that all citizens must contribute to public charges, it is the fairest system. Despite its well known flaws, progressivity was not accepted: Its fundamentals are false (it is the poor and not the rich those enjoying more services from the State), and fees are arbitrary hence unfair.<sup>52</sup> However, in the 1888 edition, the authors acknowledged the essential problem of proportionality: unequal sacrifice of taxpayers. They nevertheless not only rejected progressivity, but also Garnier's

---

<sup>49</sup> Miranda (1869), 54-55; Colmeiro (1870), 472-474; Madrazo (1874-76), III, 353-354. Pastor stated that even a proportional tax on income would erase incentives to investment and hard work, giving advantage to the idle, but attacked particularly taxes on consumption: Their inconveniences are much bigger than in the case of direct taxes on income. Pastor (1856), I, 208-210 and 226.

<sup>50</sup> Colmeiro (1870), 472-474. Carreras said that it would be necessary to confer the State the power to decide on distribution of wealth. If progressivity was then applied, it should be limited to avoid confiscation. Carreras (1881), 478-479.

<sup>51</sup> Miranda (1869), 54-55. In his book with Piernas, he considered that progressivity harmed mostly medium-size fortunes and not big fortunes, its primary target. Miranda and Piernas (1869), 323-330.

<sup>52</sup> Castaño, Olózaga and Salvá (1881), II, 509. Salvá gave another argument against progressivity: it obstructed virtue, because the existence of large fortunes was the basis of a rational charity. This reasoning involved the idea that maintaining demand for charity was preferable to fight poverty.

limited system, as far as it hampered capital accumulation (following Boccardo: this was the main problem), it was redistributive and fees depended on legislator's will.<sup>53</sup> Peña's late work rejected also proportional tax, but it is interesting as it made a review of arguments against progression by major economists having dealt with this problem: Leroy, Smith – whose famous albeit controversial passage Peña doubts could be interpreted as a support for progression, Garnier, Proudhon, Boccardo. He insisted, following Piernas, on the problem of the absence of scientific principles to set it, an argument quite in vogue at the end of the century.<sup>54</sup>

*The quest for tax justice: Some progressive measures*

Contrary to the authors of the middle decades of the century, economists of the first half of the century were more prone to introduce certain graduation. Keeping a proportional system, Jaumeandreu was an early sponsor of light progressive measures.<sup>55</sup> Even if he believed that progressivity meant rewarding idleness, he accepted an exception for tax on consumption of luxury, distinguishing productive from unproductive consumption.<sup>56</sup> On the contrary, he was extremely critical on indirect taxes on necessities, as they were regressive. Flórez Estrada did not pay attention to this issue apart from pointing out (following McCulloch) that taxes on consumption were regressive.<sup>57</sup> Canga Argüelles, following the ability to pay principle, supported proportional taxes, but accepted exemptions to the poor.<sup>58</sup> The most important supporter of progressive taxation (although it did not satisfy him entirely) was Piernas Hurtado. He considered that proportional tax attained “purely arithmetical equality, but not juridical nor economic”, leaning on J.B. Say and Garnier (proportional

---

<sup>53</sup> Olózaga and Salvá (1888), II, 563-568.

<sup>54</sup> Other reasons to reject progression were as usual: It harmed capital accumulation, led to plunder and unfairness, would not render high revenues to the State and contributed to social conflict by confronting the poor to the rich. The only exception to contribution should be the poor, grounded on an actual inability to pay and on a reason of public charity. He did not mention it in the framework of the discussion on progressivity, though. Peña (1896), 51-59, 98. Brañas also followed Piernas, but, different from him, he supported a proportional tax, as the least unfair and unequal. To him, progressivity was an “impossible ideal”. Brañas (1896), 205-211.

<sup>55</sup> First modern supporter was most probably Alcalá Galiano. Alcalá Galiano (1788), 30-35.

<sup>56</sup> He believed that ability to pay did not grow progressively as income grew (it was not true that those who earned higher incomes had a larger ability to pay taxes, because their position also compelled them to larger expenses, according to their social status). Jaumeandreu (1816), 304-310.

<sup>57</sup> Flórez Estrada (1840), 328-330.

<sup>58</sup> Canga (1833-34), II, 611.



tax is more onerous to the poor) and Mill (proportional tax cannot attain equality of sacrifice). Piernas concluded that “with this procedure justice is not satisfied”. Piernas then stated that when measuring citizens’ ability to pay, it was necessary to take into account actual inequalities.<sup>59</sup> Progressive tax sought to create a system “allowing it to be in fact *proportioned* to the wealth it charges”. However, its biggest defect was arbitrariness: There were no scientific principles to arrange it. Piernas reckoned there was a dead end: If progressivity is unbounded, it de-naturalises the tax turning it into confiscation; if it sets a maximum fee, it turns into a proportional tax for the wealthiest. Economists then accepted a system of limited progressivity, as Garnier’s.<sup>60</sup> Although his verdict was negative (“progressive tax fights between contradiction and injustice and succumbs necessarily to arbitrariness”), and condemned wealth equalisation as socialist<sup>61</sup>, he admitted its justice aim, accepting that direct taxes should be “undoubtedly progressive so that there is compensation. So, if we are to choose between proportional and progressive taxes, we prefer the latter, in conditions similar to those in Switzerland”.<sup>62</sup>

### *The debate of the end of century*

The discussion on progressivity mounted at the end of the century, on behalf of the bill to introduce progressive rates in the succession tax. The debate involved mainly members of parliament, among whom there were some of the most prominent economists at that time. It is in this big discussion where the influence of French economists showed up most. Economists supporting progressivity had it clear that it lacked solid theoretical justification, but turned to pragmatism: They declared themselves in favour of the ability to pay approach, considering that it called for a proportional tax system with some kind of compensatory device in the form of some

---

<sup>59</sup> Piernas Hurtado (1900), I, 306-307.

<sup>60</sup> Piernas shows the examples of moderate progressivity of the Swiss cantons of Vaud and Zurich, but he seems to share the criticism of Leroy- Beaulieu, who considers that these ingenious systems are not really in favour of progressive taxation, as these taxes are very small, graduation is light, and it stops when it reaches the big fortunes, precisely those aimed at charging more with progressive technique. Piernas Hurtado (1900), I, 311.

<sup>61</sup> This was the position of the Socialists of the Chair: Schaffle, Wagner, Scheel, etc., to whom tax was a means of social policy, the most efficient resource of the State to modify the economic organism. Piernas Hurtado (1900), I, 309-313.

<sup>62</sup> Piernas Hurtado (1900), I, 292-314.

sort of progressivity. Two authors stood out in this framework: Villaverde and Azcárate, whose lines of reasoning leant on the ideas by Garnier and Leroy Beaulieu, although not very accurately. On the opposite side, economists against graduation followed the usual lines of reasoning. Here main figures were Moret and López Puigcerver, who also borrowed a large part of their arguments from French liberal finance specialists.<sup>63</sup>

Those against progressive taxation resourced to the theoretical framework supplied essentially by Leroy-Beaulieu and Léon Say. López Puigcerver proved high expertise in Leroy and Say's fiscal theories, recalling the former's campaign against Poincaré's 1894 reform. His reasoning against progressivity followed Leroy's *Traité* quite precisely. López knew well these authors' exceptions to the rule of proportion, but concluded that they simply did not fit into the Spanish succession tax reform.<sup>64</sup> Moret explicitly used Léon Say's work *Les solutions démocratiques de la question des impôts* to sustain his opposition to progressivity.<sup>65</sup> These opponents of progressivity used the usual arguments against it: Arbitrariness of rates, danger for capital accumulation and hence for growth, confiscation of property, fraud, etc.<sup>66</sup>

Economists in favour of graduation grounded their ideas on the doctrines of Jean Baptiste Say and Garnier, together with the idea of equal sacrifice of J.S. Mill. But they also quoted Leroy-Beaulieu and Léon Say, as qualified sources of authority acceptable to their counterparts. Villaverde, the sponsor of the succession tax reform as finance minister, justified graduation on Mill's fiscal theory, which rejected progressivity in general, but accepted it in the succession tax.<sup>67</sup> In his opinion, graduate rates "fits better the principles of equity and distributive fairness, which called for alleviation of

---

<sup>63</sup> In these discussions French authors were quoted profusely, but not Spanish. This is shocking as local finance literature was plentiful. Most shocking case was that of Piernas Hurtado, the author of a very widespread handbook on public finance. He was responsible for the diffusion of Mill's equality of sacrifice approach, and his progressive views, taken from Garnier, fitted well with Villaverde's idea of graduate succession tax. It is very probable that Piernas' ideas had a strong influence on Azcárate. Azcárate probably supported progressivity both on Piernas' *Tratado* and on Seligman's work. He also shared with Piernas the opinion that social reforms should be accomplished through the issuing of pertinent laws, not through indirect measures such as taxes.

<sup>64</sup> Diario de Sesiones del Congreso de Diputados (DSC) 1899-1900, 4044, 4067-4068.

<sup>65</sup> DSC 1899-1900, 4072.

<sup>66</sup> See for instance DSC 1899-1900, 117, 4005; 118, 4030; 119, 4070 and 120, 4096.

<sup>67</sup> DSC 1899-1900, 4039-4040; 4108-4109.

levies on small capitals, in order to make taxes less onerous and less painful".<sup>68</sup> Coming down to the specific Spanish reform (just a limited graduation in tax rates), he claimed it was inspired in Garnier's "progressional proportionality", with the aim of attaining overall progressivity lost due to regressive indirect taxes. Thus, succession tax turned out to be *degressive*, as its aim was to reduce tax burden on small fortunes.<sup>69</sup> Villaverde was attempting to avoid archetypal criticism to progressivity, essentially wealth redistribution: In his opinion, "progressivity" could just be applied to taxes with the aim of redistributing wealth as supported by Adolf Wagner and the group of the Socialists of the Chair in Germany. Villaverde also stated that in fact his project was grounded on the premises on public finance by J.B. Say and Léon Say, whose works he claimed to know very well.<sup>70</sup> Azcárate, a Krausist economist very close to Piernas Hurtado, strongly supported the ability to pay principle, considering that Garnier's "progressional" scheme fitted well the principles of freedom and justice in taxpaying. Even if he said that graduated rates in some taxes aimed at achieving equality of sacrifice, whereas a pure proportional scheme resulted unfair, Azcárate only considered progressivity legitimated in the framework of the theory of compensation. He borrowed Seligman's approach of progressivity as compensation,<sup>71</sup> strengthening it with the ideas of Leroy-Beaulieu and Léon Say, who accepted progressivity as compensation just in a few cases.<sup>72</sup> Azcárate rejected the idea of using taxes as redistributive mechanism, in Wagner's fashion. He became a pillar in the defense of progressive succession tax for the sake of a better achievement of justice in taxpaying. Justifying progressivity contained in the succession tax reform on behalf of Leroy and L. Say's position was problematic. Leroy-Beaulieu clearly stood against tax progressivity.

---

<sup>68</sup> DSC 1899-1900, 14, appendix 9, 2.

<sup>69</sup> DSC 1899-1900, 118, 4036-4040. In another occasion, Villaverde stated that taxes were citizen's contribution in proportion to wealth, so that the State could exist. This "proportion" was "sometimes" better achieved through a graduated scale. This, he said, was L. Say's doctrine, which he followed. DSC 1899-1900, 119, 4060.

<sup>70</sup> Villaverde was not more specific in this regard; however it is difficult to reconcile the ideas of both authors, and even more to justify progressive succession tax on them.

<sup>71</sup> The work by Seligman, translated into French (*L'impôt progressif en théorie et en pratique*) and widely known in Spain, influenced Spanish writers on public finance in the 20<sup>th</sup> century particularly in the issue of progressive taxes. Seligman pointed out three approaches to taxation, the socialist (taxes are instruments to level wealth), compensatory (taxes are the payment for the services rendered by the State), and the economic (taxes are the contribution of each citizen to the common effort, according to his/her capabilities). Seligman was not but adding the socialist approach to the old discussion between the principle of benefit and the principle of ability to pay.

<sup>72</sup> DSC 1899-1900, 119, 4060-4061, 4068 and 4075.

He rejected its theoretical foundations, the theory of equality of sacrifice.<sup>73</sup> Leroy stressed the arbitrary characteristic of progressivity and its tendency towards the correction of social inequalities, which he considered dangerous.<sup>74</sup> Expansion of progressivity would eventually confiscate income; as a result some systems were required to limit it.<sup>75</sup> Moreover progressive taxation would not be convenient because revenues apportioned by high incomes would not be high, and because it would foster fraud (he even justified it).<sup>76</sup> However, he accepted an exception for the introduction of a sort of progressivity in the tax system. He called it "*impôt dégressif*", a tax which consisted of relieving lower tax bases, instead of surcharging higher tax bases. Direct tax exemption or moderation, especially on income, would be admitted too. This would be a compensation device, justified by the existence of regressive indirect taxes. Leroy however gave a closed definition of *impôt dégressif*: it would relieve either totally or partially lowest tax bases, then charging the rest of taxpayers or of the taxable base with a flat tax rate (on the contrary, in the true *impôt progressif*, a minority of taxpayers or tax base were charged to the maximum rate.)<sup>77</sup> Léon Say agreed with Leroy on the principle of "national solidarity" as the basis for allocating tax burden in a country, rejecting the theory of equality of sacrifice, and also on the impossibility of a mathematical progressivity. This should be replaced by a "rationally limited progression", which was Garnier's system of a "progressional tax", which applied progressive rates not to the whole tax base, but to the increase of tax base.<sup>78</sup> In L. Say's opinion, it was impossible to scientifically determine the scale of progressivity, for the inequality of sacrifice could not be measured in monetary terms. Say agreed also with Leroy in the effect of progressive taxation: if progressive rates

---

<sup>73</sup> "A nos yeux, cette théorie est simplement sentimentale, elle n'a aucune base rationnelle; elle ne conduirait dans la pratique qu'à des résultats insignifiants pour le peuple, si la progression était légère, et à des résultats déplorables pour la société en général, si la progression était forte". Leroy-Beaulieu (1906), 178.

<sup>74</sup> Leroy compared the arbitrariness of progressivity with the establishment of a tax threshold that left low tax bases uncharged. This threshold had no arbitrariness, except for the defining of the threshold. Leroy-Beaulieu (1906), 182-183.

<sup>75</sup> Leroy-Beaulieu (1906), 186-189. Leroy said that J.B. Say's system to limit progressivity avoided the whole income to be absorbed by the tax, but in any case, rates made it intolerable.

<sup>76</sup> This was proved by the Swiss case. According to Leroy, a progressive income tax would raise impossible situations and unfair situations as well. So, he thought that a smooth income tax would produce equal revenues than a strong progressive tax, but without causing so many problems. Leroy-Beaulieu (1906), 190, 200-202, 214.

<sup>77</sup> Leroy-Beaulieu (1906), 203-205.

<sup>78</sup> Léon Say (1894), 365.

were high, it destroyed capital; if they were moderate, they produced very small revenues.<sup>79</sup> He also accepted a limited progressivity to counteract the regressive effects of indirect taxes. His *impôt dégressif* established a tax relief for the tax bases not exceeding the minimum to survive, as a moderate form of progressivity. Although he believed that it presented considerable difficulties from the point of view of equity, he accepted a tax relief to the smallest tax bases and tax moderation to medium tax bases in order to compensate the regressive effects of indirect taxation. As in Leroy's case, this would be just a manoeuvre attempting at achieving real proportionality in the whole system. It was equally justified by the existence of taxes that charged comparatively harder lowest incomes. Léon Say considered that, although progressive rates were always arbitrary, it was essential to acknowledge that there existed a large difference between progressive rates designed to re-establish proportionality and progressive taxes created to redistribute wealth.<sup>80</sup> Economists holding different ideas using the same theoretical sources naturally adapted them to make them fit their positions. This was quite evident in the case of Leroy-Beaulieu and Léon Say, against progressivity, but ready to accept the exception of the *impôt dégressif*. In the case of Leroy, the exception he accepted was too specific, not matching Spanish tax reform: Azcárate was then not accurate in quoting Leroy's exception. However, the same cannot be said of Léon Say. He stood against progressivity, but accepted it as an exception in a broad sense, to be applied in systems in which there were indirect taxes that fell relatively more on low income families, in order to achieve general proportionality. As a result, his ideas could be used both for supporters and opponents of progressivity. The best doctrinal support to progressivity was Wagner's fiscal theories, but this source was discarded as far as he stood for wealth redistribution through taxes.

### **Concluding remarks**

Spanish economists dealt with the problem of the form of taxes – fix, proportional or progressive to tax base – mildly all along the 19<sup>th</sup> century. Only at the end of the

---

<sup>79</sup> Léon Say (1886), 172-173.

<sup>80</sup> Léon Say (1894), 366; (1886), 180, 185, 190-192.

period, as it happened in other countries, it became a subject of wider discussion. In these debates, as it happened with other economic topics such as trade, it is possible to trace a major influence of foreign economists, particularly French. Authors in the middle decades of the century shared in general the idea that the principle of ability to pay was the right application of the maxim of justice in taxpaying, but it clearly leading to taxes proportional to the tax base. Progressivity was unscientific, arbitrary, dangerous, prejudiced capital accumulation economic growth. This set of ideas was widespread among not only French but European liberals in general. Only at the end of the century positions changed slightly, and the idea of graduation as a compensatory device spread: A better achievement of justice in taxation through progressive rates was invoked. A reform in succession taxes in Spain – following other European countries – made the debate on progressivity re-emerge. Here French influences were outstanding, essentially through the works of Garnier (accepting a limited progressivity), and Leroy-Beaulieu and Léon Say, used both by sponsors and detractors of progressivity. It is interesting that supporters of graduation adopted a pragmatic position for the sake of reform, ignoring the theoretical flaws of progressivity. This happened in the framework of political discussion rather than academic: There economists showed more flexible and ready to accept exceptions to the proportional general scheme of taxation, on behalf of a better attainment of justice in the allocation of tax burden.

## References

- Alcalá Galiano, V. (1788), *Sobre la necesidad y justicia de los tributos, fondos de donde deben sacarse y medios de recaudarlos*, Segovia, Sociedad Económica de Segovia.
- Almenar, S. (2000), “El desarrollo del pensamiento económico clásico en España”, in E. Fuentes Quintana (ed.), *Economía y economistas españoles, 4. La economía clásica*, Barcelona, Galaxia Gutenberg, pp. 7-92.
- Aracil Fernández, M. J. (2001), *La Hacienda Pública como disciplina universitaria en España*, Sevilla, Kronos.
- Bastiat, F. (1880), *Armonías económicas*, Madrid, Mariano Escribano y Leocadio López.
- Brañas, A. (1896), *Curso de Hacienda pública general y española* (3ª ed.), Santiago, José M. Paredes.
- Cabrillo, F. (1978), “Traducciones al español de libros de economía política (1800-1880)”, *Moneda y crédito*, 147, pp. 71-103.

- Canga Argüelles, J. (1833), *Diccionario de hacienda con aplicación a España* (2ª ed.), Madrid, Calero y Portocarrero.
- Carreras y González, M. (1881), *Tratado didáctico de Economía Política*, Madrid, Miguel Guijarro.
- Castaño, F; Olózaga, J.M. and Salvá, M. (1881), *Curso de economía política*, Madrid, Perales y Martínez.
- Castro-Valdivia, M. (2013), *La obra de J.B. Say: Traducciones e influencias en la primera mitad del siglo XIX*. VIII Encuentro AIHPE, Lisboa.
- Colmeiro, M. (1870), *Principios de economía política* (3ª ed.), Madrid, Bailly-Baillière.
- Conte, F.A. (1854), *Examen de la hacienda pública de España*, Cádiz, Imprenta gaditana.
- Diario de Sesiones del Congreso de los Diputados (1899-1900), Congreso de Diputados, Madrid.
- Espínola y Subiza, R. (1859), *Tratado elemental de instituciones de Hacienda Pública de España*, Madrid, Campo Redondo.
- Flórez Estrada, Á. (1840), *Curso de economía política* (5ª ed.), Paris, Baudry.
- Garnier, J. (1862), *Traité de finances* (2ª ed.), Paris, Guillaumin.
- Jaumeandreu, E. (1816), *Rudimentos de economía política*, Barcelona, Antonio Brusí.
- Jaumeandreu, E. (1836), *Curso elemental de economía política*, Barcelona, Gaspar.
- Leroy-Beaulieu, P. (1906), *Traité de la science des finances*, t.1: *Des revenus publics*, Paris, Guillaumin.
- Lluch, E., and Almenar, S. (2000), "Difusión e influencia de los economistas clásicos en España (1776-1870)", in E. Fuentes Quintana (ed.), *Economía y economistas españoles 4. La economía clásica*, Barcelona, Galaxia Gutenberg, pp. 93-170.
- López Narváez, J. (1856), *Tratado de Hacienda Pública*, Madrid, Pedro Montero.
- Lora, X. (1881), *La Hacienda y el Catastro*, Madrid, Imprenta de El Liberal.
- Lynn, A. D. (1976), "Adam Smith's fiscal ideas: An eclectic revisited", *National Tax Journal*, 29, pp. 369-378.
- Madrazo, S.D. (1874-76), *Lecciones de economía política*, Madrid, Calleja y Cía.
- Martín Rodríguez, M. (2000), "La enseñanza de la economía en España hasta la Ley Moyano", in E. Fuentes Quintana (ed.), *Economía y economistas españoles, vol. 4*, Barcelona, Galaxia Gutenberg, pp. 593-619.
- Matéos, S. (2012), *La progressivité de l'impôt sur le revenu chez les économistes français du début du XXème siècle : L'analyse d'un rejet*, Mémoire du Mastère 2, Université Lyon 2.
- McCulloch, J. R. (1975 [1863]), *A Treatise on the Principles and Practical Influence of Taxation and the Funding System*, Edinburgh, Scottish Academic Press.
- Mill, J. S. (1965), *Principles of Political Economy*, London, Routledge & Kegan Paul.
- Miranda y Eguía, M. (1869), *Revolución financiera de España. Teoría del impuesto*, Madrid, Pardo y Juste.
- Miranda y Eguía, M. and Piernas Hurtado, J.M. (1869), *Manual de Instituciones de Hacienda Pública española*, Córdoba, El Eco.

- Musgrave, R. A. (1985), "A brief history of fiscal doctrine", in A. J. Auerbach & M. S. Feldstein (eds), *Handbook of Public Economics*, Amsterdam, Elsevier, pp. 1-59.
- Myrdal, G. (1953), *The Political Element in the Development of Economic Theory*, London, Routledge.
- Neumark, F. (1994), *Principios de la imposición*, IEF, Madrid.
- O'Brien, D. P. (1975), *The classical economists*, London, Oxford UP.
- Olózaga y Bustamante, J. M. (1888), *Tratado de Economía Política*, Madrid, José Perales y Martínez.
- Paley, W. (2002 [1785]), *The Principles of Moral and Political Philosophy*, Indianapolis, Liberty Fund.
- Passy, F. (1873), "Impôt", in Coquelin, C. and Guillaumin, G. (dirs.), *Dictionnaire de l'économie politique*, Paris, Guillaumin.
- Pastor, L.M. (1856), *La ciencia de la contribución*, Madrid, Bailly-Baillière.
- Peña, T. (1896), *Tratado de Hacienda Pública* (2ª ed.), Salamanca, La Nueva Aldina.
- Piernas Hurtado, J.M. (1900-01), *Tratado de Hacienda Pública y examen de la española* (5ª ed.), Madrid, Victoriano Suárez.
- Ricardo, D. (1817), *On the principles of political economy and taxation*, London, Murray.
- Say, J. B. (1841), *Traité d'économie politique*. Paris, Guillaumin.
- Say, J. B. (1966 [1852]), *Cours complet d'économie politique pratique*. Osnabrück, Otto Zeller.
- Say, J. B. (2001 [1841]), *Tratado de economía política*. México D.F., Fondo de Cultura Económica.
- Say, L. (1886), *Les solutions démocratiques de la question des impôts*, vol. 1, Paris, Guillaumin.
- Say, L. (1894), *Dictionnaire des finances*, Paris, Berger-Levrault.
- Seligman, E.R.A. (1894), "The Theory of Progressive Taxation", *Political Science Quarterly*, 8 (2), pp. 220-251.
- Shehab, F. (1953), *Progressive taxation: A study in the development of the progressive principle in the British income tax*, Oxford, Clarendon Press.
- Sidgwick, H. (1887), *The principles of political economy*, London, McMillan.
- Slemrod, J. (ed.) (1994), *Tax progressivity and income equality*, Cambridge UP, Cambridge.
- Smith, A. (1976), *An Inquiry into the Nature and Causes of the Wealth of Nations*, Oxford, Clarendon Press.
- Stourm, R. (1892), "Impôt", in Say, L. and Chailley, M.J., *Nouveau Dictionnaire d'Economie Politique*, vol. 2, Paris, Guillaumin, pp. 1-42.
- Toledano, E. (1859-1860). *Curso de Instituciones de Hacienda Pública en España*, Madrid.
- Torrente, M. (1835), *Revista general de la Economía Política*, La Habana, Imprenta de Jordán.
- Valle, E. M. d. (1842), *Curso de Economía Política*, Madrid, Imprenta del Colegio Nacional de Sordomudos.
- Vickrey, W. (1994), *Public Economics. Selected Papers by William Vickrey*, Cambridge UP, Cambridge.
- Wagner, A. (1891). *La scienza delle finanze*, Torino, Unione Tipografico.