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REVIEWS

The Income Tax: A Study of the History, Theory, and Practice of Income Taxation at Home and Abroad. By E. R. A. SELIGMAN. (New York : The Macmillan Co., 1911. Pp. 711. 12s. 6d. net.)

By common consent Professor Seligman is recognised as one of the most authoritative writers on taxation, and the latest fruit of his industry displays those rich qualities which have entitled his previous works to rank among the most scholarly contributions to the subject. Though it incorporates some essays published seventeen years ago, the present volume has been written with special reference to the proposed amendment to the Constitution of the United States authorising a federal income tax, and has the directly practical aim of aiding the legislators to construct a workable scheme. While it cannot fail to prove of great service there, it will also receive the attention and appreciation of students of finance in other countries because of its breadth of view, erudition, and sound judgment.

Believing that the most important lesson to be learned from experience is "the gradual transition in public sentiment from a position of uncompromising hostility to one of virtual acquiescence," the author devotes a large part of the work to a full survey of the development of income taxes, and of opinion regarding them, in other countries; and it may be said at once that the account of the English tax, occupying almost one-fourth of the volume, is by far the best with which we are acquainted. The mass of information relating not only to the legislation but also to the entire literature of the subject, is set forth with a remarkable skill and lucidity which deserve the gratitude of English economists. There are a few slight inaccuracies that should be corrected in another edition. For instance, in the statistical tables the rate of the tax in the year ending 1904 is given as 1s. 1d. instead of 11d.; the yield from waterworks is assigned to canals, while the figures for canals and for the profits from occupation of land under Schedule D are omitted; Schedule C is said to include Government "services" instead of

"securities." These, however, are trifling, for in all essential points the information is accurate and up-to-date. Professor Seligman thinks that the United States have most to learn from England in regard to the principles and methods of taxation of incomes, but the chapters dealing with the tax in Germany, Austria, Italy, and Switzerland, and with the projects and controversies of France, though shorter, are marked by thoroughness and suggestiveness, and afford opportunities for emphasising variations of machinery, local circumstances, and dangers to be avoided in America. The author is a vigorous supporter of the income tax, and believes that the United States will adopt it before long, but none knows better than he the administrative difficulties presented by American conditions.

It is interesting to note that so competent an observer is in entire sympathy with the recent changes in the English tax. By the introduction of differentiation, "what has always been the greatest single objection to the English income tax has now been removed," though he would favour a fuller application of the principle. "With that wisdom so characteristic of all political and economic advance in Great Britain, the new was built on the old, and the ingenious scheme of a super-tax, which retained all the advantages of the original system of stoppage at source, has succeeded in accomplishing everything that is really needed for the realisation of the system of progressive taxation, without incurring the dangers which sometimes attend its introduction." He also commends "the studied moderation of the rate," which, at its present level, "cannot be considered in any way excessive"; and sums up his account of this "mighty fiscal and social engine" by remarking that, "under the necessary limitations of human nature . . . the British income tax is a signal example of how sound theory and admirable administration may combine to overcome long-continued prejudice and opposition, and may succeed in rendering acceptable a system at first considered obnoxious and undeserving of support."

The Prussian tax, too, he regards as on the whole a decided success, but even from the fiscal point of view the "lump sum" method in Germany is not so satisfactory as the stoppage at source method of Britain, while the administrative means employed in Prussia would be quite impracticable in the United States. The failure of the Italian tax is attributed mainly to the fact that the rate is so high that the administration has broken down under the weight, and the public conscience has given way to an equal extent; while the chief lesson to be learned from Swiss experience is that a system of State income taxes,

resting upon methods of local assessment, even when modified by a central State control, is bound to fail.

Accordingly, when attention is directed to the United States it is found that the State income taxes have been utterly unsuccessful, and, in view of the impossibility of localising income, the tax must be established on a national basis. The lengthy discussion of the constitutional question will not be of much interest to English readers, but the conclusion is reached that to deny to the Federal Government the possibility of utilising so powerful a fiscal engine in times of national stress is "monstrous folly," and this argument alone is sufficient to warrant the proposed amendment. To the question whether the tax is needed for the purposes of normal revenue, however, Professor Seligman's answer is found in the progressive deterioration of State and local revenue, especially the "striking abuses and the most shocking injustice" of the present attempts to assess personal property, and he believes that the adoption of the tax would not only tend to redress existing inequalities, but would also make a reform of the system of State and local taxation more easy of accomplishment. One may assent to this argument without accepting the illustration from English experience with which the author supports it. "The attempt to confine the local rate to real estate," he says, "met with somewhat the same difficulty that is encountered at present in the United States," and the opposition to the change in the system of local taxation would have been far more pronounced if the English income tax had not been imposed a few years earlier. In point of fact, the exemption of personalty from rating was achieved by legislation in 1840, with scarcely any opposition, while it was not until 1842 that Peel introduced his income tax.

The result to which a careful analysis leads is that, although the tax should be a federal one, the revenue from it is not normally required to any great extent by the Federal Government, but would be needed by the State and local authorities if the general property tax was abolished or greatly modified. The solution of this difficulty is that the tax must be administered by the national Government, while a large part of the proceeds is apportioned to the various States, and perhaps through them to the localities. The same method should also be applied to the inheritance tax and the corporation tax where the difficulties of conflicting jurisdictions are becoming more pronounced, English grants-in-aid and the division of proceeds of certain taxes in Continental countries being cited as precedents. The rules and

criteria of apportionment can, he thinks, be elaborated without difficulty. The principle of differentiation might be carried further than in England, a distinction being made, in particular, between public-service and other corporations, which in course of time could be extended so as to impose higher rates upon other incomes dependent to a large extent upon forms of privilege. Despite his approval of the principle of progression, however, the author would not introduce it, except by way of abatements to smaller incomes, until a proportional tax had become well-established and successful. Under existing American conditions not much can be expected from this device, and unless it were utilised as a supplementary principle on the model of the English super-tax—or the proposed French complementary tax, it would probably play havoc with the whole scheme from the point of view both of revenue and of justice.

It is impossible here to indicate more fully the labour and insight displayed in this work, but Professor Seligman's qualifications are so well known that every student of finance may be trusted to refer to the book itself, the value of which is enhanced by a good bibliography. It is certainly the most comprehensive and the most important contribution to the subject that has yet appeared in our language.

STANLEY H. TURNER

Rise of the London Money Market. By W. R. BISSCHOP.
With a preface by Professor H. S. Foxwell. (London:
P. S. King.)

DR. BISSCHOP'S volume of 256 pages is concerned with the development of the London Money Market from the rise of the Goldsmith Bankers, about the year 1640, into the gigantic credit machine which is, perhaps, the most striking economic phenomenon of to-day. We are so accustomed to the existence and use of banking facilities, that we are apt to forget how very recent their creation is, and how very large a portion of their evolution has taken place within the last thirty or forty years. The result of the evolutionary process is plain enough in the immense power and solidarity of the banks which conduct the business of the London Money Market. But until Dr. Bisschop essayed the task of research, the earlier origins of the system were wrapt in obscurity.

For instance, Dr. Bisschop, dealing with such a familiar instrument as the Pass Book, tells us that the oldest, of which anything is known, dates from 1709. He goes on to say that when the

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