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The Taxation of the Various Classes of the People

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Source: *Journal of the Royal Statistical Society*, Vol. 82, No. 2 (Mar., 1919), pp. 143-182

Published by: [Wiley](#) for the [Royal Statistical Society](#)

Stable URL: <http://www.jstor.org/stable/2340674>

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JOURNAL
OF THE ROYAL STATISTICAL SOCIETY.

MARCH, 1919.

THE TAXATION OF THE VARIOUS CLASSES OF THE PEOPLE.

THE PRESIDENTIAL ADDRESS OF THE RIGHT HON. HERBERT SAMUEL,
FOR THE SESSION 1918-19. DELIVERED TO THE ROYAL STATISTICAL
SOCIETY, JANUARY 21, 1919.

I WOULD express my thanks to the Society for the distinguished honour which they have done me in electing me as their President. It is a pleasure, and in a sense a relief, to anyone who has been long immersed in the controversies of political life, to enter the more serene atmosphere of a Society such as this, and to take part in the work of a body of scientists, whose labours also serve, though in a different and a more placid way, the purposes of the State. I confess, however, that the diffidence which one would necessarily feel in undertaking this office is much increased by the fact that I follow a President who has rendered such great services to the Royal Statistical Society as Sir Bernard Mallet. Not only his position and experience as Registrar-General, but also his devotion to the interests of the Society and his energy in promoting them, have qualified him in an exceptional degree for the office which he has filled with distinction and success during the last two years. He has set a standard which will be hard indeed for his successors to maintain.

During the first year and a half of the war this Society, in common with many other organizations, suffered in its membership; the number of its Fellows diminished in that period by 76. Since then, it is satisfactory to note, the numbers have shown no further diminution; the losses through death and resignation have been made

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good by fresh additions, and the number of new Fellows elected in 1918 was greater than in any of the last five years. It is very desirable that the membership of the Society should be further increased. With that object in view the Council have recently decided to enable Government Departments, Municipal Bodies, Libraries, Banks, Trading Companies and other corporations to associate themselves with the Society, and to suggest representatives to be submitted for election to fellowship. It is hoped that a number of such bodies will be ready to assist the Society's work, and it is believed that they will find its Library and its journal of service. I am glad to be able to mention that throughout the war and at the present time several Government Departments have made, and are making, frequent use of our Library, finding there publications the consultation of which is needed in their work, but which would not otherwise be available.

The last year has brought to the Society the loss of three of its most distinguished members. All three had taken a close interest in statistical science; all three had been Fellows of the Society for thirty years and upwards; all three had rendered good service to the nation in the House of Commons and, appointed to the House of Lords, had there continued their public work. Lord Brassey held the Presidency no less than forty years ago, and the Society had its full share in his large-minded interest in the institutions that seek to serve the national welfare. Lord Courtney was President in the years 1897-99; he won renown as an economist within this country and beyond; he commanded a widespread esteem as a public man of singular independence and purity of character. Lord Rhondda as an industrial leader, as a Parliamentarian, and, most recently, as the successful administrator, in a time of national peril, of a Government Department where success was vital to the safety of the country, but hardly to be hoped on account of the difficulties of the task, rendered distinguished service to the State. Rarely in all its long history has the Society had reason to deplore the loss in a single year of three men who had so fully deserved the high title of great citizens of their country.

Three more Fellows during the year, making five in all, have laid down their lives in the war. We will hold in honour their names:—Captain G. T. Loban, Lieutenant Harold P. Lubbock, Lance-Corporal M. I. Trachtenberg. Bishop Boyd-Carpenter was one of our valued members; Mr. R. M. Johnston, the Government Statistician of Tasmania, had been elected to an Honorary Fellowship of the Society; Mr. T. A. Welton became a Fellow so long ago as 1855, he was Guy Medallist in 1901 and a frequent contributor to the *Journal*.

During the last year, as in the years immediately preceding, the papers which have been read and the discussions which have taken place have been largely concerned, as was right, with some of the innumerable problems that have arisen from the war. It is one of those problems, not yet discussed before the Society, to which I would invite your consideration to-day.

Introductory.

The far-reaching effects of the War are nowhere more apparent than in our national finance. An immense burden of new debt has been incurred. The revenue has been multiplied nearly fourfold. Even if large indemnities are secured, it is probable that taxation will be far heavier in future than it was before the War. The time has come when an inquiry should be made into the allocation of the new taxation among the various classes of the people. The proposals in the Budgets of the last four years have been made by successive Governments, and have been sanctioned by Parliament, rather as the readiest means of raising, without excessive friction, the vast revenues that have been needed, than as the outcome of a careful study of the requirements of fiscal justice. It is essential, now that the War is over, that the bearing of these measures should be reviewed. There will be much discussion, in the days to come, of the lines on which post-war taxation ought to proceed and of the fairness or unfairness, as between class and class, of the existing taxes. But such a discussion, to be useful, ought to be preceded by an attempt to ascertain what the facts of the present situation really are, how much is being demanded by the State from the several strata of society, what proportion of their incomes is being taken in taxation from the rich, from the people of moderate means and from the working classes. We cannot say whether the burdens are justly distributed unless we first know what they are.

The subject, I would submit, is well qualified by its interest, its importance and its urgency, to engage the attention at the present time of the Royal Statistical Society. But in choosing it as the topic for the Presidential Address, I am fully conscious of its difficulty. On a number of points, particularly with regard to several of the indirect taxes, the material for exact statement is far from adequate. We are compelled to proceed largely by estimate. If this were not so, however, if the subject presented no difficulties, if the facts were easily ascertainable, we should find the allocation of taxation set out in the Blue Books, and there would be no need for this Society to trouble itself about the matter. Thiers unkindly said that statistics was the art of stating with precision what one did not know. I do not pretend that the conclusions

reached in this paper are to be regarded as precise. But by collecting the facts, wherever facts are available, and by framing estimates, where we are obliged to have recourse to estimates, on as broad a basis of fact as possible, we may hope to reach results that will be serviceable. Those results cannot be free from error; they cannot claim acceptance in their details; but taken as a whole they will indicate, I believe, with substantial truth, the broad features of the situation.

I have been greatly assisted in my task by the help which has been freely extended to me by many experts on branches of the subject, both inside and outside the Public Departments. In particular, my predecessor in this Chair, Sir Bernard Mallet, K.C.B., the Registrar-General and formerly one of the Inland Revenue Commissioners; Mr. H. V. Reade, C.B., the Principal of the Statistical Office of the Board of Customs and Excise; and Dr. J. C. Stamp, C.B.E., of the Board of Inland Revenue, have been good enough to give me assistance which has been invaluable. I would wish to present my acknowledgments also for information or advice on particular points to Mr. G. E. Murray, C.B., and Sir Charles A. King, K.C.B., of the General Post Office; Mr. C. L. Stocks, of the Treasury; Dr. Stevenson, C.B.E., of the General Register Office; Professor Bowley; Professor W. R. Scott; and Mr. J. S. Eagles, the Secretary of the recent Committee on the Cost of Living of the Working Classes.

Scope and Method of the Inquiry.

I have taken as the terminal of my inquiry the rates of taxation in the present financial year 1918–19. This involves accepting, for the yield of most of the indirect taxes, the Budget estimates and not the figures of actual collection. But Budget estimates are seldom very far wrong. I am informed that the only miscalculation of importance this year is likely to be in the yield of the tobacco duty, and I have added, in accordance with a more recent estimate, 3,000,000*l.* under that head. If the previous year had been chosen, the important alterations made by the Finance Act, 1918, in the rates of income-tax, super-tax, beer and spirit duties and other taxes would not have been taken into account, and my conclusions would have been out of date before they had been formulated.

In order to show the trend of War finance, I have taken for comparison the last complete fiscal year before the War, 1913–14.

And I have thought it would be of interest to take a second point of comparison some years earlier, in order to assist the investigation of the course of pre-war policy in matters of taxation. For this purpose I have gone back another decade and have selected the

year 1903-04. The disturbances in the rates of taxation due to the immediate effects of the South African War were over by then, and the important fiscal changes effected by the Parliaments of 1905-10 had not begun. The year 1904, also, was that in which the Board of Trade made their collection of household budgets, which was at that time, and which still remains, the chief source of information on the working-class consumption of certain taxed articles.

All my figures relate, therefore, to the three years 1903-04, 1913-14 and 1918-19.

The incomes selected for comparison should be fairly typical of all classes of the community, without being so numerous as to make the statistical tables unduly elaborate. I have aimed at estimating the taxes payable on family incomes of the following amounts: 50*l.*, 100*l.*, 150*l.*, 200*l.*, 500*l.*, 1,000*l.*, 2,000*l.*, 5,000*l.*, 10,000*l.*, 20,000*l.*, and 50,000*l.* For the present year, however, I have omitted the income point of 50*l.*, as families with a wage of 1*l.* a week are now very exceptional and the retention of that figure would give a misleading impression. Income, above the lower points, is taken to be income as assessed for purposes of income-tax.

The comparison must obviously be on a basis of families, but the question arises whether the number of persons to be taken as constituting a family should be uniform throughout, or whether an allowance should be made for the fact that families are larger among the poorer classes than among the more well-to-do. The latest information on this point has been furnished by the Treasury Committee on the Cost of Living, over which Lord Sumner presided. That Committee collected—in June and July, 1918—facts as to expenditure on food, and other statistical matter, relating to 1,306 families. It was found that there would be great difficulty in obtaining accurate statements as to income, particularly on account of the complications of supplementary earners, overtime and irregular work. The families were classified therefore by occupation only. The facts as to the average number of persons in a family do not show a quite regular scale, but they are significant. They are as follows :—

Class.						Average number of persons per family.
Unskilled	....	....	....	....	....	6·0
Semi-skilled	....	....	....	....	....	5·3
Skilled	....	....	....	....	....	5·5
Clerks	....	....	....	....	....	4·6

The Board of Trade, in the summer of 1904, collected the well-known series of household budgets relating to 1,944 families in urban

districts in the United Kingdom. These were classified according to income, and at first sight seem to show that the higher the grade of labour the larger the family; until it is remembered that the larger family is more likely to contain children old enough to earn than the family with two or three children, and that higher family earnings may be due to the presence of one or more supplementary wage-earners. Professor Bowley, who has examined the original figures on which the summary table is based, tells me that this is undoubtedly the cause of the apparent discrepancy. The facts ascertained in the 1904 inquiry are as follows:—

Weekly income.	Average income.	Average number of persons per family.
	<i>s.</i> <i>d.</i>	
Under 25s.	21 4½	5·1
25s. and under 30s.	26 11½	5·3
30s. and under 35s.	31 11½	5·2
35s. and under 40s.	36 6½	5·4
40s. and above	52 0½	6·4
Average of all incomes	36 10	5·6

The census of 1901 showed the average family to consist of 4·62 persons, and the census of 1911, 4·51.

On the whole it seems better, for the purposes of this inquiry, to take throughout a fixed number for a typical family than to attempt to differentiate on this point between classes. The data for such a differentiation are insufficient. It would involve complicating our tables by distinguishing, as regards an income of 150*l.* for example, between the taxation that would be paid by an artisan and by a clerk, each earning that sum, but the family of the one containing one more person than the family of the other, and therefore consuming a larger quantity of dutiable goods. Further, for purposes of income-tax allowances, it is necessary to consider families with a definite number of children, and it would be inconsistent to adopt one course when we are dealing with indirect taxation, and another when we are dealing with direct. On these grounds, this inquiry relates uniformly to families of two adults and three children. It must be remembered, however, that the consequence will be to show a somewhat smaller rate of taxation at the lower grades of income than is actually paid, because the average family in the labouring classes is larger than five. In the case of the higher incomes, where the whole amount of indirect taxation is small compared with direct, the effect of the difference is too slight to be noticeable.

I have followed all previous investigators in assuming that the taxes on commodities are paid by the consumer.

But the question has to be determined whether, in the case of the servant-keeping classes, the taxes on the tea and sugar and other dutiable commodities consumed by the servants are to be regarded as a burden on the employer or not. It is clear that in the short run any addition to the tax falls upon the employer. When in 1904, for example, the tea duty was increased from 6*d.* to 8*d.* per lb., followed by a return in the following year to 6*d.* and by a reduction in 1906 to 5*d.*, it is probable that, while the increase in the duty lasted, it was borne wholly by the employer, unless indeed the consumption of tea by domestic servants declined proportionately—a most unlikely supposition. But over a longer period the incidence of such taxes is different. The remuneration of the servant consists of money wages, of food and of lodging. Its amount depends upon the rate of remuneration obtainable in other employments, after allowance is made for the amenities, or for the drawbacks, attaching to domestic service. The value of the wages, the food and the lodging must be considered as a whole. If food doubled in cost in working-class homes, that fact could not be without its influence in fixing the amount of money wages which a servant would be willing to accept on leaving her home. It would also have an influence on the amount of money wages which an employer would be willing to pay, since he knows that the additional cost of the servant's food would fall upon him. The matter is seen most clearly if we take the analogous case of the farm labourers in the North of England, some of whom are boarded and lodged by the farmers, and some of whom have cottages of their own. It is plain that the cost to the employer of the food of the hind, who lives in, comes into the calculation when his wages are being fixed in comparison with those of the labourer who lives out. And where the cost of food rises, no distinction can be made, from this standpoint, between a rise due to increased taxation and a rise due to a greater cost of production, or other similar causes.

I reach the conclusion, therefore, that in the long run the servant who lives in her employer's house, as much as her sister who works in a factory outside, is adversely affected by an increase in the cost of food due to its taxation; and although for a time the effect is different, I have proceeded on that assumption in this paper. It presents with greater accuracy the more permanent effects of the existing rates of taxation. The point is one on which economists will differ; but of the five who have been good enough to tell me their views as to the incidence of these taxes, four hold the general view

which I propose to adopt. Professor Marshall also has expressed the same opinion in his recent essay on "National Taxation after the War," though he makes the qualification that in so far as domestic servants' consumption of dutiable articles is larger than is usual in the class from which they come, the employer may be considered as paying the taxes on that extra consumption.¹

I use the term Tax in the ordinary acceptance of the word, as meaning the sum compulsorily taken from the subject into the national Treasury for the public service. I have not attempted to allocate the burden of the local rates. The results of such an inquiry would throw little light on the new problems that arise from war taxation. Although local rates have, no doubt, increased during the war, and sometimes by a considerable proportion, the amount of the increase has been almost insignificant compared with the rise in the national taxes. Further, there is far less agreement among economists as to the real incidence of local rates than there is as regards the greater part, at least, of the national taxes; and it is advisable not to enlarge the scope of our inquiry at the cost of importing fresh controversy on this aspect of the question. I do not include among taxes the compulsory contribution of employers and employed to the National Insurance Funds, for the Exchequer does not receive them and derives no revenue from them.

The subject may be mulcted by the action of the State in other ways than by the levying of taxes. The creation of new credits during the war, by lowering the value of money and raising the cost of living, has imposed a burden which may in many cases be much heavier than any that is due to the new taxation. But here, again, no revenue is in question. The expansion of the paper currency stands on much the same footing. If, indeed, that expansion had been effected in this country, as it has been in Russia and elsewhere, by printing paper money in order to make Government payments, the money so provided would have been in the nature of revenue obtained from the community, and obtained in the worst possible way. But that has not been the process in the United Kingdom, where paper currency has been issued only on demand from the banks, and in exchange for gold or securities. Its expansion has been more the consequence than the cause of the creation of credits and the rise of prices.

In some cases, where the Government has been itself conducting commercial transactions, as in the control, for example, of shipping or of wool, there may be a profit from its transactions. But it is

¹ *After War Problems*, by the Earl of Cromer and others, p. 327 n.

intended that any such profit should be only temporary. The principle has been laid down that the accounts, at the end, should balance as nearly as may be, and that the Exchequer should make neither a profit nor a loss from the State control of trades or industries.

It would be beyond the scope of this inquiry to examine the objects upon which the national revenue is spent, and to attempt to assess the benefits which each class derives from them. In some cases the benefit is direct and easily ascertainable—for example, the expenditure upon the bread subsidy or Old Age Pensions. But the relative advantages derived by different classes from the great bulk of our present expenditure, which is incurred for military and national objects, cannot be computed. Nor is it reasonable to say that the sums spent on the elementary schools, for instance, benefit only the families whose children are educated in those schools, and are of no advantage to employers of labour or to other classes. These are separate problems, into the discussion of which I do not propose to invite you to embark.

In the revenue itself there are certain items which we are obliged to exclude from our calculations. Some are not taxes at all—the revenue, for example, from Crown lands and from the Suez Canal shares belonging to the British Government. Some, such as the Stamp Duties, cannot be allocated to families receiving specified incomes. The Stamp Duties are paid almost entirely, indeed, by the middle and wealthy classes as distinguished from the working-classes; but they are contributed so unevenly by the individuals within those sections that it is useless to attempt to estimate the share of each, and it would be misleading to strike an average. I place the Liquor Licence Duties in the same category. Although there is much to be said for regarding them in the long run as part of the general taxation of alcoholic liquor, and therefore paid by the consumer, opinions are divided on this point, and it would be safer to omit them from our allocation. The following table shows the taxes excluded on these and similar grounds, and their yield in the three selected years. The figures for 1918–19 are those officially given of the estimated yield in a full year of the taxes now in force. The actual yield in the present year is expected to be slightly different in some cases. The large item of 15,200,000*l.* under the head of Miscellaneous Revenue in the year 1918–19 includes Mint receipts, sundry contributions to the cost of the war, receipts in connection with the Vote of Credit, and surplus balances on the Currency Note Investment Reserve Account. None

of these can be regarded as taxation that can be attributed to individuals or classes.

Heads of revenue excluded (million £).

	1903-04.	1913-14.	1918-19.
Stamps	7.07*	9.98	9.50
Land tax	0.74	0.69	0.65
Land value duties	—	0.71	0.70
Crown lands	0.46	0.53	0.65
Suez Canal shares and sundry loans	0.98	1.57	6.00
Coal export duty	2.05	—	—
Railway passenger duty	0.35	0.28	—
Liquor licences	2.23	4.51	1.12
Other licences	2.05	1.20	0.89
Motor spirit duty	—	0.82	1.35
Clocks and watches (imported)	—	—	0.45
Motor cars and cycles (imported)....	—	—	0.10
Musical instruments (imported)	—	—	0.05
Miscellaneous	1.60	2.30	15.20
	17.54	22.60	36.66

* Excluding patent medicines.

Far more important than any of these heads of revenue is the Excess Profits Duty, estimated to yield in the present financial year 300,000,000*l.* It is impossible to include this in our calculations, because its real incidence cannot be determined, nor can the payment be apportioned among classes of incomes; and it is not necessary or, indeed, desirable that it should be included, for if the Excess Profits Duty proves to be, as was intended, a temporary tax, its allocation would throw no light on post-war financial problems; added now, it would have to be deducted again, whenever our conclusions were used as the basis for the discussion of the fiscal situation under normal conditions.

The revenue dealt with in this paper differs from the revenue included in the official returns in one other particular. For reasons which will be stated later, the Post Office profit is included as being in the nature of a tax. The official figures include not only the profit, but the whole of the gross revenue of the Post Office. The amount of revenue covered by this inquiry is therefore as follows :—

Amount of revenue included (million £).

	1903-04.	1913-14.	1918-19.
Total national revenue	151·34	198·24	845·05
Add additional yield in a full year of taxation at the rates of 1918-19	—	—	46·70
Post office profit	4·30	6·20	6·00
	155·64	204·44	897·75
Deduct Post Office gross revenue	19·15	30·80	38·00
Taxes specified in previous table	17·54	22·60	36·66
Excess profits duty....	—	—	300·00
	36·69	53·40	374·66
Revenue included	118·95	151·04	523·09

I proceed now to examine, in the light of the principles that have been stated, the amounts contributed to this revenue by the several classes of incomes.

DIRECT TAXATION.

Income-tax and super-tax.

In the first of our selected years—1903-04—the income-tax was comparatively simple. There was a uniform rate of 11*d.* in the £. The only modification to be made was in relation to the abatements at the lowest points in the scale. The tax paid was as follows :—

1903-04.					
Income.	Tax.	Income.	Tax.	Income.	Tax.
£	£ s. d.	£	£ s. d.	£	£ s. d.
200	1 16 8	2,000	91 13 4	20,000	916 13 4
500	16 0 10	5,000	229 3 4	50,000	2,291 13 4
1,000	45 16 8	10,000	458 6 8		

By 1913-14 the system had been subjected to many alterations. There was first the differentiation between earned income and unearned up to 2,000*l.* It will be necessary to give figures of the tax paid on each kind of income. Where the income is partly earned and partly unearned the amount of tax paid would lie between the two. There was next the allowance in respect of children. As they may be of interest I shall give, for the purposes of this and the next tables only, alternative figures for a tax-payer without children, as well as the figures for the typical family of two adults

and three children. There was, thirdly, the introduction of the super-tax upon incomes over 5,000*l.* The taxes payable were as follows :—

1913-14.						
Income.	Earned income.		Unearned income.		Super-tax.	Total income tax and super-tax.
	No children.	Three children.	No children.	Three children.		
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£	£ s. d.
200	1 10 0	7 6	2 6 8	0 11 8	—	—
500	13 2 6	12 0 0	20 8 4	18 13 4	—	—
1,000	£37 10 0		£58 6 8		—	—
2,000	75 0 0		116 13 4		—	—
5,000		£291 13 4			—	—
10,000		583 6 8			175	758 6 8
20,000		1,166 13 4			425	1,591 13 4
50,000		2,916 13 4			1,175	4,091 13 4

In 1918-19 the recipient of an income of 150*l.* has become liable to pay the tax for the first time in the years we have selected. The children's allowance has been increased in amount and the principle has been extended to wives. I shall assume that the man with three children has a wife also. Super-tax begins on incomes above 2,500*l.* The rates of both taxes have been greatly increased, and the income-tax has been graduated, not only by means of abatements, but also by a differentiated scale. The amounts payable are as follows :—

1918-19.						
Income.	Earned income.		Unearned income.		Super-tax.	Total income tax and super-tax.
	No family.	Wife and three children.	No family.	Wife and three children.		
£	£ s. d.	£ s.	£ s.	£ s. d.	£ s.	£ s.
150	3 7 6	—	4 10	—	—	—
200	9 0 0	—	12 0	—	—	—
500	45 0 0	33 15	60 0	45 0 0	—	—
1,000	150 0 0	146 5	187 10	182 16 3	—	—
2,000	£450		£525		—	—
5,000		£1,500			287 10	1,787 10
10,000		3,000			1,187 10	4,187 10
20,000		6,000			3,437 10	9,437 10
50,000		15,000			10,187 10	25,187 10

Death Duties.

The allocation of the burden of the Death Duties presents obvious difficulties. The Death Duties cannot be omitted from our computation as though no-one paid them; they are in fact a charge upon the property-owning classes, whose incomes, if there were no Death Duties and if other things were equal, would be greater than they now are. So far as the Estate Duty is concerned, the yield of which is about three-fourths of the whole, the fairest method of allocation appears to be that adopted in a Parliamentary question on July 11, 1918, to the Chancellor of the Exchequer, and in his reply. The charge in respect of Estate Duty was there regarded as equivalent to the average annual life insurance premiums which a person of the age of 40 would have to pay in order to provide at death the amount of duty to which his estate would be liable. The income in each case was taken to be 5 per cent. of the capital. If, instead of adopting this method, the Estate Duty were regarded as a deduction from the capital of the inheritors of the property, and therefore as an equivalent diminution of their income, the burden of the tax on the income that remained would be heavier. And if a sinking fund were included to replace the capital that had been taken in Estate Duty, the burden would be heavier still. The method adopted here puts the charge in respect of Estate Duty at its lowest:

Of the other Death Duties the only one which yields an amount exceeding 1,000,000*l.* is the Legacy Duty, which brought in close upon 5,000,000*l.* in 1917-18. This tax varies according to the degree of relationship of the legatee to the deceased person, and is not uniform, therefore, with respect to estates of equal amount. It would not be right to exclude it from calculation, and the fairest method of allocating it would be to regard it as being, on the average, equivalent to an addition to the Estate Duty. This method is open, no doubt, to criticism, but in any event the sums involved are not large enough to make any considerable difference in the total of the taxes payable by particular incomes. The addition to be made to the Estate Duties in order to arrive at the total for all the Death Duties would be 30 per cent. in 1903-04 and 25 per cent. in 1913-14 and 1918-19.

Death Duties can best be regarded as a charge upon **unearned**, and not upon earned, incomes, and this principle was adopted in the Parliamentary question and answer to which I have referred. Taking the figures given in that answer for 1918-19, and applying the same principles to the earlier years, we arrive at the following tables:—

	Income.	Equivalent estate.	Rate of estate duty.	Estate duty payable.	Add other death duties.	Total death duties payable.	Average insurance premium (starting age 40) necessary to provide death duties.	Equivalent rate of income tax.
1903-04	£ 200	£ 4,000	Per cent. 3	£ 120	At 30 per cent. 36	£ 156	£ 4	d. 5½
	500	10,000	3	300	90	390	10 18	5½
	1,000	20,000	4	800	240	1,040	29 2	7
	2,000	40,000	4½	1,800	540	2,340	65 10	8
	5,000	100,000	5½	5,500	1,650	7,150	200 4	9½
	10,000	200,000	6	12,000	3,600	15,600	436 16	10½
	20,000	400,000	7	28,000	8,400	36,400	1,019 4	12½
	50,000	1,000,000	7½	75,000	22,500	97,500	2,730 0	13
	200	4,000	3	120	At 25 per cent. 30	150	4 4	5
	500	10,000	4	400	100	500	14 0	6
1913-14	1,000	20,000	5	1,000	250	1,250	35 0	8½
	2,000	40,000	6	2,400	600	3,000	84 0	10
	5,000	100,000	8	8,000	2,000	10,000	280 0	13
	10,000	200,000	10	20,000	5,000	25,000	700 0	17
	20,000	400,000	11	44,000	11,000	55,000	1,540 0	18½
	50,000	1,000,000	14	140,000	35,000	175,000	4,900 0	23½
	200	4,000	3	120	At 25 per cent. 30	150	4 4	5
	500	10,000	4	400	100	500	14 0	6
	1,000	20,000	5	1,000	250	1,250	35 0	8½
	2,000	40,000	6	2,400	600	3,000	84 0	10
1918-19	5,000	100,000	9	9,000	2,250	11,250	315 0	15
	10,000	200,000	11	22,000	5,500	27,500	770 0	18
	20,000	400,000	15	60,000	15,000	75,000	2,100 0	25
	50,000	1,000,000	19	190,000	47,500	237,500	6,650 0	32
	200	4,000	3	120	At 25 per cent. 30	150	4 4	5
	500	10,000	4	400	100	500	14 0	6
	1,000	20,000	5	1,000	250	1,250	35 0	8½
	2,000	40,000	6	2,400	600	3,000	84 0	10
	5,000	100,000	9	9,000	2,250	11,250	315 0	15
	10,000	200,000	11	22,000	5,500	27,500	770 0	18

Inhabited house duty.

It is a rapid descent from the large sums relating to Income-Tax, Super-Tax and Death Duties, to the humbler figures of the Inhabited House Duty, but since the incidence of that tax on the various incomes can be fairly well allocated, it is desirable to add them. Dr. Stamp, who has made a close study of this matter, as the readers of the Third Chapter of his book, "British Incomes and Property," will know, has been good enough to make an estimate for me of the probable amount of Inhabited House Duty paid on the average by the tax-payers on our scale. The amount of the duty has not been changed during the period under review. The tax is not levied in Ireland. The estimated payments are as follows:—

Income.	Tax.	Income.	Tax.	Income.	Tax.
£	£ s. d.	£	£ s. d.	£	£ s. d.
50	Nil	500	1 5 0	10,000	15 0 0
100	Nil	1,000	3 0 0	20,000	28 0 0
150	0 4 6	2,000	4 15 0	50,000	55 0 0
200	0 7 6	5,000	9 0 0		

INDIRECT TAXATION.

The computation of the indirect taxes paid by the several classes depends upon the ascertained figures of the consumption of dutiable goods. Every student of this subject would desire that the available material had been less scanty. This Society would have rendered useful service had it been able to secure a comprehensive inquiry from time to time into the facts. Perhaps, however, it has been deterred by the fear of incurring criticism such as that expressed by Tom Hood in his "Tale of a Trumpet," where he says of the inquisitive old lady who was the heroine of his story—

"In fact she had much of the spirit that lies
 Perdu in a notable set of Paul Prys,
 By courtesy called Statistical Fellows—
 A prying, spying, inquisitive clan,
 Who have gone upon much of the self-same plan,
 Jotting the labouring class's riches;
 And after poking in pot and pan,
 And routing garments in want of stitches,
 Have ascertained that a working man
 Wears a pair and a quarter of average breeches!"

Happily for our present purpose, Government Departments have not been so sensitive. Our chief source of information is the collection of nearly 2,000 household budgets made by the Board

of Trade in 1904, to which reference has already been made. In 1908 the Board of Inland Revenue, which was then responsible also for Excise, collected some valuable facts relating to the consumption of dutiable articles by working-class families. The Board of Customs and Excise, to which the Excise Department was shortly afterwards transferred, has been good enough to allow me access to the results of that inquiry. The facts related to 225 families, and were collected from shop-keepers with respect to all articles except alcohol, with regard to which information was obtained from publicans; inquiries were made from publicans also with regard to tobacco. For 1918 we have the statistics collected by the Sumner Committee from 1,306 families.

Tea.

1903-04.—The Board of Trade figures of 1904 show the quantity of tea consumed weekly by families, the size of which varies at different wage points. Taking the wage rates given in the 1904 table—which are the nearest to our income points of 50*l.*, 100*l.* and 150*l.* a year—and transforming the figures from weekly to annual, and from families of varying numbers to uniform families of five, we arrive at the following table:—

Average weekly income.					Annual consumption of tea per family of five.	
<i>s.</i>	<i>d.</i>					lbs.
21	4½	....	....	....	....	24·45
36	6¼	....	....	....	....	28·40
52	0½	....	....	....	....	29·45

In the tabulated results of the Excise inquiry of 1908, the first column gives the average annual consumption of 18 families, 5·3 persons per family, income 19*s.* 6*d.* a week. With respect to tea this was 30 lbs., equivalent to 28·3 lbs. for a family of 5. In 1903 and 1904 the national consumption of tea per head was 3 per cent. less than in 1908. Assuming that all classes of the population had contributed uniformly to the increase, we must reduce the 1908 figure by 3 per cent. when we apply it to our selected date 1903-04. This would give a figure of 27·5 lbs. for incomes of 19*s.* 6*d.*

The Board of Trade budgets indicated, as we have seen, a consumption of 24·45 lbs. of tea by families with incomes of 21*s.* 4½*d.* The reason for the higher figure in the Excise table is clearly that the families with the lowest incomes chosen for the purposes of that inquiry were stated to belong to the agricultural abouring classes; all the families that furnished budgets to the Board of Trade

investigators in 1904 lived in urban districts. An income of 1*l.* a week at that time allowed in the village a standard of comfort which would permit a somewhat larger expenditure on articles such as tea than would be possible for a family living in a town, who, with the same income, would be sunk in poverty. If we take an average of the two figures we shall arrive at the conclusion that a family with 50*l.* a year (or 19*s.* 3*d.* a week) consumed tea at the rate of 26 lbs. per annum in the year 1903-04.

Coming to the next income point, we find that the 1904 budgets indicate an annual consumption of 28.40 lbs. of tea for families of 5 with incomes averaging 36*s.* 6½*d.* The Excise inquiry of 1908 would indicate a comparable figure for 1903-04 of 27.51 lbs. per family with average incomes of 33*s.* 6*d.* We may take a figure of 28.5 lbs. as the consumption of a family with 100*l.* a year, or 38*s.* 6*d.* per week.

With respect to our third income point, the budgets of 1904 indicate a consumption of 29.45 lbs. for families with an average of 52*s.* 0½*d.*; the Excise inquiry would give 30.20 lbs. for families with 61*s.* 6*d.* The earlier inquiry included 596 families in this group, the later inquiry only 12. We may attribute a consumption of 30 lbs. to a family with 150*l.* a year, or 57*s.* 9*d.* a week.

There remains to be considered the consumption of the classes with higher incomes. The national consumption per head in 1904 was 6.02 lbs. The average working-class consumption as shown by the 1904 budgets was 5.57 lbs. The Excise inquiry indicates a working-class consumption for that year of 5.82 lbs., but the number of families included was only one-eighth of that covered by the earlier inquiry, and the information was probably not quite so reliable. It will be safer to accept the lower figure. The proportion of the working-classes to the whole population has been taken by Mulhall, by Professor Leone Levi and by Mr. Sanger, at 70 per cent., a figure which was also adopted by Sir Bernard Mallet in his investigations on this subject in 1902 and 1904. If the whole population consumes at the rate of 6.02 lbs. per head per annum, and 70 per cent. consume at the rate of 5.57 lbs., then the remaining 30 per cent. will consume at the rate of 7 lbs. The Board of Customs and Excise prepared an estimate for the Chancellor of the Exchequer in 1915 which shows a close approximation to this figure. It would indicate, allowing for the less consumption in 1903-04, a consumption of 7.5 lbs. per head at an income of 200*l.* to 300*l.* There is every reason to believe that the consumption by families with incomes higher than these is not appreciably larger.

The tea duty in 1903-04 was 6*d.* per lb. We therefore reach these figures :—

1903-04.			
Income.		Annual consumption of tea per family of five.	Tax.
£		lbs.	s. d.
50	....	26	13 0
100	....	28·5	14 3
150	....	30	15 0
200 and above	....	35	17 6

1913-14.—No additional facts are available with respect to the actual consumption of households in the period 10 years later. But the national average had increased by 11 per cent. to 6·68 lbs. per head.

It is true that the increased consumption of 11 per cent. was probably not distributed uniformly over all the classes of the population. There is evidence to show that variations in the consumption of the chief dutiable articles are correlated with variations in the real wages of the working-classes. The retail price of tea was about the same in 1913 as in 1903. The Board of Trade index number of the price in London is the same in both years. With respect to the movement in the real wages of the working-classes, index numbers for 1860 to 1902 were calculated by Mr. G. H. Wood, and published in the *JOURNAL* of this Society in March, 1909; they have since been continued by Mr. A. D. Webb, of the Customs and Excise Department. Those index numbers are based upon the year 1850 as a standard, taking 100 for that year for men in full work, and 96 after making an allowance for unemployment. They show an average for the three years 1902-04 of 166·3, and for the three years 1912-14 of 168, a very small difference. Although, therefore, the 11 per cent. increase in the consumption of tea was probably due in a somewhat larger degree to purchases by those members of the working-classes who were in a better position than formerly to satisfy their wants, the departure from uniformity is likely to have been small, and it is not worth while to attempt to discriminate with regard to this 11 per cent. between the classes of the population.

The tea duty in 1913-14 was 5*d.* per lb. The table for that year would be as follows :—

1913-14.			
Income.		Annual consumption of tea per family of five.	Tax.
£		lbs.	s. d.
50		28·9	12 0
100		31·6	13 2
150		33·3	13 10
200 and above		38·9	16 2

1918-19.—When we come to the present year the situation with respect to this, as to all other questions of consumption, is affected by the restriction of supplies due to war conditions. The amount of tea available for distribution is 2 ozs. per head per week. This is 6·5 lbs. per annum, or nearly as much as the average consumption in the year before the war, and more than the consumption in any previous year. The actual consumption in working-class families was less than this before the war, and with present prices may be expected to be less than this now. We are fortunate in possessing the very recent information on this and analogous matters, furnished by the Sumner Committee on the Cost of Living of the Working Classes. As already mentioned, their classification of families was not according to wages, but I am informed that the investigations show that the unskilled class corresponds to a present-day income of about 150*l.*, and the skilled to an income of about 200*l.* The results of the Sumner Inquiry are as follows, a column showing the equivalent amounts per family of 5 per annum being added:—

	Consumption of tea per head per week.	Do. per family of five per annum.
	oz.	lbs.
Unskilled	1·4	22·7
Semi-skilled	1·7	27·6
Skilled	1·7	27·6
Working-class average	1·6	26·0
Clerks	1·5	24·4

We must attribute to an income of 100*l.* a somewhat lower consumption than that of an income of 150*l.*, and may assume it to be 20 lbs. Families with 500*l.* and above may be taken to consume their full tea ration of 32·5 lbs. a year. The present rate of tea

duty is 1s. Omitting, for the reason given earlier, the income point of 50*l.*, we arrive at the following table for the present year¹ :—

1918-19.

	Income.	Annual consumption of tea per family of five.	Tax.
	£	lbs.	£ s. d.
	100	20	1 0 0
	150	22	1 2 0
	200	27·6	1 7 7
	500 and above	32·5	1 12 6

Sugar.

1903-04.—Adopting the same process as in the case of tea, we find that the Board of Trade budgets of 1904 indicate the following rates of consumption of sugar :—

Average weekly income.	Annual consumption of sugar per family of five.
s. d.	lbs.
21 4½	197
36 6¼	251
52 0½ ...	256

The Excise figures of 1908 for the nearest points on the wage scale are as follows :—

Average weekly income.	Average number of family.	Annual consumption of sugar.
s. d.		lbs.
19 6	5·3	271
33 6	5·8	337
61 6	7·2	338

The national consumption of sugar per head frequently shows considerable fluctuations in particular years; it would be safer to take the average of the three years 1903-05. This was 72·13 lbs. In 1907-09 the average consumption was 78·92 lbs. The consumption per head at the earlier date was less than that at the later date by 8·6 per cent. These figures of national average include all sugar, refined or unrefined, whether purchased as sugar or after manufacture into jam, marmalade, confectionery, etc.; while the

¹ Later estimates show that, owing to the conclusion of the armistice and other causes, the consumption of tea, and the taxes paid, will be somewhat larger this year than the table indicates.

figures of the household budgets which have been quoted relate only to sugar bought as such. We may, however, safely assume the **same** proportionate difference in consumption between the two dates in the one case as in the other. The Excise figures of 1908 would therefore indicate a consumption of sugar as such in 1904 per family of 5 as follows :—

Average weekly income.						Annual consumption.	
s.	d.					lbs.	
19	6	....	....	....	....	....	234
33	6	....	....	....	....	....	266
61	6	....	....	....	....	....	216

As in the case of tea, and doubtless for the same reason the consumption at the lowest wage point is higher in the Excise budgets than in those collected by the Board of Trade. We may take, again, an average of the two, and we reach for a family with 5*ol.* a year a consumption of 216 lbs. of sugar in 1903-04.

At the next income points there is, again, a divergence between the two sets of figures, though smaller in extent. The 1904 figures were based upon the budgets of nearly four times as many families of these incomes as the figures of 1908, and are not subject to the disturbance due to the allowance for the difference of date. It will be safer to rely on the 1904 budgets in case of doubt, and to put the consumption of sugar for a family with an income of 1*ool.* a year, or 38*s.* 6*d.* a week, at 255 lbs.

Similarly with the next income point, where the 1908 figures, based on only 12 families, are clearly unreliable. We may estimate the figure for an income of 15*ol.* a year at 260 lbs.

With regard to the higher incomes, the Board of Customs and Excise estimate in 1915 for families of 5 with incomes of 20*ol.* to 30*ol.* was put in round figures, based on the data ascertained in 1904, at 5 lbs. per week, or 260 lbs. a year. The figure for 1903-04 cannot be put at less than that. We can now frame the following table :—

1903-04.

Income.						Annual consumption of sugar as such per family of five.	
£						lbs.	
50							216
100							255
150							260
200 and above							260

To this must be added a percentage in order to include the sugar consumed in jam, marmalade, treacle, syrup, etc. The budgets of 1904 indicated a fairly constant ratio in the expenditure

on these articles, compared with the expenditure upon sugar as such, throughout the range of incomes covered by that inquiry. From the particulars there given it may be calculated as follows :—

Average weekly family income.		Ratio of expenditure on jam, &c., to expenditure on sugar.					
s.	d.	per cent.					
21	4½	....	....	....	....	....	53
26	11½	....	....	....	....	....	52·5
31	11½	....	....	....	....	....	54
36	6½	....	....	....	....	....	58
52	0½	....	....	....	....	....	58
36	10 (general average)	....	....	....	....	....	55

The difference between the lowest wage points and the highest is only one-tenth. The amount of additional sugar consumed in jam, etc., by one class as compared with another, would be in about the same proportion as their additional expenditure. The national consumption of all forms of sugar on the average of the three years 1903–05 was 360 lbs. per family of 5. The figures deduced from the household budgets indicate an average national consumption of sugar as such of about 255 lbs. per family of 5. The addition to be made in respect of jam and other commodities would therefore be 105 lbs., or 40 per cent. At the lower range of incomes it would be somewhat smaller, and at the higher range somewhat larger. The duty in 1903–04 was 4s. 2d. per cwt. We may estimate the consumption and tax as follows :—

1903–04.			
Income.		Annual consumption of sugar (all forms) per family of five.	Tax.
£		lbs.	s. d.
50	....	300	11 2
100	....	357	13 3
150	....	370	13 9
200 and above	....	380	14 1

1913–14.—The average consumption of all forms of sugar per head in the calendar year 1914 was 79·80 lbs. The figures for 1915 are affected by the war, so that we cannot take in this case the average of the selected year with the previous and the subsequent year. The figure for 1914 was an increase on the average for 1903–05 of 7·67 lbs., or a little over 10 per cent. Adding this percentage to

our previous figures, and allowing for the tax at the reduced figure of 1s. 10d. per cwt., we reach the following figures :—

1913-14.				
Income.			Annual consumption of sugar (all forms) per family of five.	Tax.
£			lbs.	s. d.
50	....	....	330	5 5
100	....	....	393	6 5
150	....	....	407	6 8
200 and above	....	....	418	6 10

1918-19.—The rationed allowance of sugar is $\frac{1}{2}$ lb. per week per person, and the investigations of the Sumner Committee show that this, within a small fraction, is the actual consumption. Their figures are as follows :—

					Consumption of sugar per person per week.
					lbs.
Unskilled	....	....	....	....	·52
Semi-skilled	....	....	....	....	·50
Skilled	....	....	....	....	50
Clerks	....	....	....	....	·47

The consumption of the wealthier classes can be no higher. The tables of the Sumner Committee give also the weekly expenditure upon jam and syrup per "standard family," as defined in their Report. It is as follows :—

					Weekly expenditure upon jam and syrup per "standard family."
					s. d.
Unskilled	....	....	....	....	1 7½
Semi-skilled	....	....	....	....	1 11½
Skilled	....	....	....	....	2 2
Clerks...	....	....	....	....	2 3

These figures indicate that the better paid working-class families and the lower middle classes consume nearly 40 per cent. more of these articles than the unskilled labourer class. If an addition is made in respect of confectionery, condensed milk, mineral waters, etc., it would probably be nearly 50 per cent. more. This approximates closely to the figures reached by our separate calculation for the pre-war ratio in 1903-04 and 1913-14.

The Budget estimate of the Board of Customs and Excise was based upon a consumption of sugar in 1918-19 of 50 lbs. per head. The consumption of sugar as such is uniformly 26 lbs. throughout

the population. The remaining 24 lbs. is consumed in varying proportions, the higher incomes taking about 50 per cent. more than the lower. The sugar duty has been raised to 25s. 8d. per cwt., fourteen times its pre-war figure. The table for 1918-19 will be :—

1918-19.				
Income.	Consumption of sugar per family of five.			Tax.
	Sugar as such.	In jam, etc.	Total.	
	lbs.	lbs.	lbs.	£ s. d.
100	130	90	220	2 10 5
150	130	120	250	2 17 3
200	130	135	265	3 0 9
500 and above	130	140	270	3 1 10

Tobacco.

The data with respect to the consumption of tobacco are fewer than those relating to the commodities with which we have hitherto been dealing. The 1904 inquiry of the Board of Trade dealt with food-stuffs only, and gives us no information as to tobacco. There are a few facts in the budgets collected by the United States Commissioner of Labour in 1890, by the Economic Club in 1891-94, and by Mr. Seeböhm Rowntree in 1899; but the number of budgets is so small and the diversities of the results are so large, that no useful conclusion can be drawn from them. The Excise inquiry of 1908 yielded the following information :—

Family income.		Consumption of tobacco per annum.	
s. d.		lbs.	
19 6	....	9.8	
33 6	....	8.7	
45 0	....	9.75	
61 6	....	11.1	

It is noticeable that the families who furnished these particulars—17 in number—at the lowest wage point of 19s. 6d., were found to consume more tobacco per family than the 126 who formed the group with the average income of 33s. 6d. It should be remembered once more that the first group consisted mainly of farm labourers' families.

The difficulty of forming any estimate is increased by the fact that the amount of tobacco consumed, as also of alcohol, is a

matter more of individual idiosyncrasy than of economic condition. There are non-smokers and there are heavy smokers in every class.

Further, to quote a note which Mr. Reade has been good enough to send me :—

“The actual rate of duty borne by any kind of smokable tobacco depends on the quantity obtained from a given amount of raw leaf, on which the duty is originally assessed. Thus, from 100 lbs. of raw leaf there may be obtained 90 lbs. of cigars, which contain less moisture than the leaf from which they are made ; or 110 lbs. of common shag, which contains much more moisture than the leaf. Hence the tax on 1 lb. of manufactured tobacco as sold retail may be more or less than that on the raw leaf.

“Perhaps the best tobacco to take for a general average is the working man’s tobacco, not of the moistest kind. It may be assumed that the raw leaf, when charged with duty, contains only about 12 per cent. moisture, while the tobacco as sold contains about 24 per cent. moisture. In this case the duty on the raw leaf in 1903–04 being 3s. per lb., and in 1913–14 3s. 8d. per lb., the real duty charge on 1 oz. of the tobacco as sold retail would have been—in 1903–04, about 2d. ; in 1913–14, about 2½d.”

An estimate made by the Board of Customs and Excise in respect of the year 1914–15 put the consumption of tobacco, speculatively, at 2 ozs. per week for families with incomes of 52*l.* to 65*l.* a year, 2½ ozs. for families with incomes of 78*l.* to 91*l.* a year, and 3 ozs. a week above that. We may accept these figures for working-class families for the year 1914, and reduce them by 10 per cent. for the year 1904, when the national consumption per head was less by that amount. It will be necessary to make some addition for middle-class and wealthy families, on account of the higher rate of duty on the kinds of tobacco they chiefly consume. The addition must needs be an arbitrary one, but the amount of error is of little importance, since it can only be an infinitesimal fraction of the total taxation paid by those classes.

On this basis our table for 1903–04 may be framed tentatively as follows :—

Income.					Tax paid per annum.		
£					£	s.	d.
50	....	....	....	....	0	15	7
100	....	....	....	....	1	3	4
150	....	....	....	....	1	10	0
200 and above	....	....	....	....	2	0	0

This estimate approximates fairly closely to Sir Bernard Mallet's estimate in 1904 :—

				Annual taxation on tobacco consumed.		
				£	s.	d.
Working-class family	....	....	....	1	5	2
Lower middle-class family	....	....	....	1	8	6
Income-tax paying class family	....	....	....	2	1	

For the year 1913-14, with increased consumption and increased rate of taxation, the table would be :—

Income.				Tax paid per annum.		
£				£	s.	d.
50	....	....	....	1	0	7
100	....	....	....	1	10	10
150	....	....	....	2	0	0
200 and above	....	....	....	2	10	0

With respect to the year 1918-19, here again there are no data on the consumption of the various classes under the abnormal war conditions. The Sumner Committee did not include either alcohol or tobacco in the items of consumption which they investigated. The only information available is the fact that the revenue from tobacco was estimated for Budget purposes at about 41,000,000*l.*, but is now considered likely to reach 44,000,000*l.* There are no official figures of the number of the population remaining within the United Kingdom this year; but I am informed by the Registrar-General that it is certainly considerably lower than the 46,089,000 estimated for the middle of 1914, but probably larger than the 42,611,000 estimated for 1904. We may take the figures for 1903-04 and vary the amount of taxation paid in that year in the same proportion as the total present revenue from tobacco bears to the then revenue. We may include the 1,850,000*l.* now derived from matches, which are consumed mostly by smokers and therefore in much the same proportion as tobacco. The tobacco revenue in 1903-04 was 12·62 million pounds :—

Income.				Tax paid per annum (tobacco and matches).		
£				£	s.	d.
100	....	....	....	4	4	10
150	....	....	....	5	9	0
200 and above	....	....	....	7	5	5

Alcohol.

The consumption of alcoholic liquors lends itself to budgeting even less than does tobacco. It is a point on which people are sensitive. The investigators, careful and polite, are not disposed to probe too deeply. Where correct information is furnished it is

usually supplied by exceptionally thrifty and intelligent heads of households, whose rate of consumption of liquor is not likely to be typical. Neither the investigation of the Board of Trade in 1904 nor that of the Sumner Committee in 1918 gives any information on the subject of alcohol. The Excise figures of 1908 included liquor consumption, but they were not regarded by the Department as reliable. The source from which they were collected was the publican himself, and it is not surprising that the rate of consumption which they indicated was much below that which was known from the national statistics to prevail among the population generally.

The only detailed investigation which gives us useful guidance is that made by Messrs. Joseph Rowntree and Arthur Sherwell in 1898, for the purposes of their book, *The Temperance Problem and Social Reform*. Basing themselves upon special inquiries in over 10,000 households, supplemented by much collateral evidence, they came to the conclusion that the average working-class family spent not less than 6s. a week on alcoholic liquor out of an average wage of 35s. This conclusion was examined by Sir Bernard Mallet, when he was dealing with these questions in 1902 and 1904, and accepted by him as the basis of his calculation. It has been recently considered by Mr. Reade, who sees no reason to question it.

From this starting point Sir Bernard Mallet made very careful supplementary inquiries, in which he was assisted by experienced officials of the Excise. The calculations, depending as they did on the character and the alcoholic strength of the different kinds of liquor consumed by the various classes and in different parts of the United Kingdom, were too elaborate even to be summarized here. They led to the conclusion that in the year 1904 the average working-class family contributed to the revenue, in respect of the taxation of alcoholic liquors, a sum of 3*l.* 1*s.* 2½*d.*; a lower middle-class family a sum of 3*l.* 1*s.* 9¾*d.*; and a family of the income-tax paying class a sum of 14*l.* 3*s.* 3½*d.* Mr. Reade, reviewing these figures, writes that he regards them as "not improbable."

There are, so far as I am aware, no data which would enable an allocation to be made, on a basis of ascertained fact, among the larger number of sub-divisions of the population which have been taken for the purposes of the present inquiry. We are compelled to allot arbitrary figures, applying Sir Bernard Mallet's conclusions by the light of the common knowledge of the conditions that prevail.

With respect to the estimate for the class of income-tax payers, an answer given by the Chancellor of the Exchequer in the House of Commons on May 13, 1914, estimated the taxable income of

the average income-tax payer at 77*ol.* in 1903-04, and 786*l.* in 1913-14. As the consumption of alcoholic liquor certainly cannot rise in the case of the larger income-tax payers in proportion to their incomes—at least, it may be hoped that it does not, for the sake of the sobriety of millionaires—the point at which the average liquor duty contribution is paid is probably somewhat lower than the point of average income received.

I suggest the following table as representing the probabilities of the case so far as the available data allow us to gauge them :—

1903-04.			
Income.		Income.	
Tax paid on alcoholic liquors.		Tax paid on alcoholic liquors.	
£	£ s.	£	£ s.
50 	2 10	500 	11 0
100 	3 10	1,000 	18 0
150 	4 0	2,000 	24 0
200 	5 0	5,000 and above	30 0

By the year 1913-14 the population had increased by 8·2 per cent. The revenue from alcoholic liquors had increased by only 1·6 per cent., beer increasing from 13,480,000*l.* to 13,650,000*l.*, spirits from 23,320,000*l.* to 23,960,000*l.*, and wine decreasing from 1,330,000*l.* to 1,150,000*l.* There was an average diminution in the taxation paid per head of 6 per cent., or 1*s.* 2*d.* in the *l.* We may disregard the fractional adjustments as between classes that might be thought to be necessary on account of the decrease in the wine revenue, particularly since it is an error to suppose that the wine duties affect solely or mainly the taxation paid by the wealthier classes. A very large proportion of wine—it has been estimated by the trade that it may be, perhaps, 70 per cent.—is consumed at wine bars and in public-houses and cheap restaurants, though this would not represent 70 per cent. of the taxation, owing to the higher duties on sparkling wine and better quality port.

The table for 1913-14 will be as follows :—

1913-14.			
Income.		Income.	
Tax paid on alcoholic liquors.		Tax paid on alcoholic liquors.	
£	£ s.	£	£ s.
50 	2 7	500 	10 7
100 	3 6	1,000 	16 19
150 	3 16	2,000 	22 12
200 	4 14	5,000 and above	28 5

In the present year the conditions of supply are wholly artificial, and there are no data of any kind as to the comparative consumption of alcoholic liquor by the various classes of the population. The present liquor duties are estimated to bring in 54,370,000*l.* in a full year. The increase of revenue compared with 1903-04 is 42·5 per cent. Allowing for some increase in the present population since that date, we may take the additional taxation per family for the purposes of these calculations, which must necessarily be rough, at 40 per cent. on the figures for 1903-04. This gives us the following table:—

1918-19.			
Income.		Tax paid on alcoholic liquors.	
Income.			Tax paid on alcoholic liquors.
£		£ s.	£ s.
100	....	4 18	25 4
150	....	5 12	33 12
200	....	7 0	42 0
500	....	15 8	

Other indirect taxes.

There remain to be allocated certain additional indirect taxes, the yield of all of which is small, with the exception of the Entertainments Duty, which was estimated to bring in 6,000,000*l.* this year. These taxes are the following:—

	Estimated Yield (million £).		
	1903-04.	1913-14.	1918-19.
Coffee, cocoa and chicory	·51	·56	1·50
Dried fruits	·44	·51	·30
Patent medicines	·32	·36	·80
Table waters	—	—	1·44
Entertainments	—	—	6·00
Cinema films (imported)	—	—	·15
	1·27	1·43	10·19

The 1904 Budgets showed the following weekly expenditures:—

Income.	Coffee and cocoa.	Dried fruit.	Total.	Per family of five.
s. d.	d.	d.	d.	d.
21 4½	2	1½	3½	3½
36 6½	4½	3	7½	6½
52 0½	5½	3½	9½	7

This indicates that at that time the better-paid working people purchased about twice as much of these commodities as the poorer. The revenue under these heads was 3s. 2d. per family of 5 in 1903-04, and the same sum in 1913-14. We may make the following estimate for those years :—

Other indirect taxes, 1903-04 and 1913-14.

Income.	Tax.	Income.	Tax.
£	s.	£	s.
50	1	150....	3
100	2	200 and above	4

The Sumner Committee's Report gives the following information for 1918-19 :—

	Weekly expenditure per "standard family."		
	Coffee.	Cocoa.	Total.
	d.	d.	d.
Unskilled	2½	6½	9
Semi-skilled	2½	7½	10
Skilled	3	8	11
Clerks ...	3	6½	9½

This indicates a much smaller difference this year between the quantities consumed by the better paid and the less well paid among the working people.

There is no useful information with respect to the contributions to the Entertainment Duty, but it is known that the great bulk of the receipts come from the cheap seats, those at 1s. and under. Table-waters are consumed mainly by the income-tax paying classes. The small revenue involved may be allocated tentatively as follows, the national average per family of 5 being 1l. 5s. :—

1918-19.			
Income.	Other indirect taxes.	Income.	Other indirect taxes.
£	£ s. d.	£	£ s. d.
100	1 0 0	500....	2 0 0
150	1 2 6	1000 and above	3 0 0
200	1 5 0		

Post Office.

There are four possible modes of dealing with the receipts of the Post Office in considering the allocation of taxation.

(1) We may regard the whole of the gross receipts as revenue drawn from the public, and the expenditure of the Post Office as part of the expenses of Government. This view, although it was supported by the authority of Sir Robert Giffen in his answers to certain questions addressed to economists by the Royal Commission on Local Taxation, is not generally accepted. The revenue of the Post Office is usually considered to be, in the main, direct payment for services rendered. It would be unreasonable, for example, to regard an annual payment for the use of a telephone by a subscriber who had been connected with the National Telephone Company's system as a payment for service, but to look upon the payment of an equal sum by his neighbour who subscribed to the Post Office telephone system as a tax contributed to the Exchequer. The cost of carrying a letter from one place to another cannot, I think, be placed on a different footing.

(2) The second alternative would be to regard none of the revenue of the Post Office as taxation, to look upon so much of the receipts as was necessary to cover the expenses as payment for services rendered, and the balance remaining as the profit of a business, which happens to be conducted by the State. The objection to this course lies in the fact that the Post Office charges are fixed by Parliament, not solely with regard to commercial considerations, but with reference also to the needs of the Exchequer. If, for example, Parliament levied a war tax of a halfpenny on every letter, which was collected by a special additional stamp to be affixed in each case, the charge would be as clearly a tax as the duty charged on entertainment tickets and collected by special stamps. The fact that the business was conducted in the one case by the State itself, and in the other by private enterprise, would not affect the issue. The economic effect must be the same if the war charge is imposed, not by special stamps, but by alterations in the rates of postage or of telegraphing.

(3) The third alternative, for which there is more to be said, is to regard an ordinary rate of commercial profit as non-tax revenue, and anything above that as taxation. But if the matter were to be treated on commercial lines the whole profit would be distributed, sooner or later, among the proprietors. The State, however, withholds it from the citizens to whom it belongs, and by keeping that profit is able to abstain from imposing taxation of equal amount in other ways. In other words, if the Post Office were run so as to

pay its expenses and nothing more, additional taxation would have to be imposed to make up the revenue which is required.

(4) We are therefore led to accept the fourth alternative, which is to treat the whole of the net revenue of the Post Office as taxation. This conclusion was reached by most of the authorities who were consulted by the Royal Commission to which reference has been made—Sir E. Hamilton, Lord Courtney, Professors Bastable, Marshall and Sidgwick, and Mr. Sanger. It has subsequently been adopted also by Sir Bernard Mallet.

The data for allocating this burden among the various classes of the population are scanty. In his book *British Budgets* (published in 1913) Sir Bernard Mallet estimated that the income-tax paying classes contributed thirteen-eighteenths of this revenue, and the other classes five-eighteenths. Sir Charles King, the experienced Comptroller and Accountant-General of the Post Office, tells me that, although there are no figures in his department on which a reliable estimate can be based, he has come to the conclusion that the income-tax paying classes contribute "at least three-fourths" of the net revenue. The two estimates, therefore, correspond very closely, and we may accept the figure of thirteen-eighteenths for our present purpose. Sir Bernard Mallet estimated also that the income-tax paying classes number one-ninth of the population.

In 1903–04 the Post Office yielded to the Exchequer a surplus of 4·3 millions. On the basis we have accepted, income-tax paying families would contribute on the average 3*l.* 5*s.* 10*d.* per annum, and other families 3*s.* 2½*d.*

In 1913–14 the net revenue was 6·2 millions. Allowing for the increase of population, the corresponding figures would be: income-tax paying families 4*l.* 8*s.* 4*d.*, others 4*s.* 1*d.*

In 1918–19 the net revenue is estimated to be over 6*l.* millions, perhaps considerably over. The population remaining in the United Kingdom is less than in 1913–14, but the percentage of decrease in the population is not likely to counterbalance the probable percentage of increase in the Post Office revenue. It would be in accordance with the present probabilities of the case if we repeat for 1918–19 our estimates for 1913–14.

For allocating this head of taxation among the subdivisions of the population there are here, again, no trustworthy data. Our variations from the two main figures must necessarily be arbitrary. It should be remembered that almost all the Post Office profit is derived from the letter post, and that this in turn consists in an overwhelming proportion of business communications. A small tradesman with 300*l.* a year is likely to contribute to this head of

revenue a much larger sum than a clerk with an equal income. It may be contended also that the cost of postage, in the case of businesses, is a trade expense which is distributed, in the long run, over the community. It is hardly necessary, however, to pursue the question of incidence to this further stage, for the sums involved are comparatively so small that our main conclusions cannot be appreciably affected.

I suggest the following estimate in respect of the Post Office revenue :—

	1903-04.	1913-14 and 1918-19.		1903-04.	1913-14 and 1918-19.
£	£ s. d.	£ s. d.	£	£ s. d.	£ s. d.
50 ...	0 1 0	0 1 4	500	1 0 0	1 6 0
100	0 2 0	0 2 8	1,000	4 0 0	5 6 0
150	0 4 0	0 5 4	2,000 and upwards	8 0 0	10 10 0
200	0 6 0	0 8 0			

Summary.

We are now in a position to frame a combined table of all the taxes :—

Taxation paid per

Income.	Direct Taxation.					Indirect			
	Income and Super-Tax.	Death Duties.	In-habited House Duty.	Total Direct Taxes.		Tea.	Sugar.	To-bacco.	Alco-hol.
1908-9				Earned Income.	Unearned Income.				
£	£ s. d.	£ s.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s.
50	—	—	—	—	—	0 13 0	0 11 2	0 15 7	2 10
100	—	—	—	—	—	0 14 3	0 13 3	1 3 4	3 10
150	—	—	0 4 6	0 4 6	0 4 6	0 15 0	0 13 9	1 10 0	4 0
200	1 16 8	4 7	0 7 6	2 4 2	6 11 2	0 17 6	0 14 1	2 0 0	5 0
500	16 0 10	10 18	1 5 0	17 5 10	28 3 10	0 17 6	0 14 1	2 0 0	11 0
1,000	45 16 8	29 2	3 0 0	48 16 8	77 18 8	0 17 6	0 14 1	2 0 0	18 0
2,000	91 13 4	65 10	4 15 0	96 8 4	161 18 4	0 17 6	0 14 1	2 0 0	24 0
5,000	229 3 4	200 4	9 0 0	238 3 4	438 7 4	0 17 6	0 14 1	2 0 0	30 0
10,000	458 6 8	436 16	15 0 0	473 6 8	910 2 8	0 17 6	0 14 1	2 0 0	30 0
20,000	916 13 4	1,019 4	28 0 0	944 13 4	1,963 17 4	0 17 6	0 14 1	2 0 0	30 0
50,000	2,291 13 4	2,730 0	55 0 0	2,346 13 4	5,076 13 4	0 17 6	0 14 1	2 0 0	30 0
1913-14									
50	—	—	—	—	—	0 12 0	0 5 5	1 0 7	2 7
100	—	—	—	—	—	0 13 2	0 6 5	1 10 10	3 6
150	—	—	0 4 6	0 4 6	0 4 6	0 13 10	0 6 8	2 0 0	3 16
200	0 7 6	0 11 8	4 4	0 15 0	5 3 3	2 0 16	2 0 6	2 10 0	14 14
500	12 0 0	18 13 4	14 0	13 5 0	33 18 4	0 16 2	0 6 10	2 10 0	10 7
1,000	37 10 0	58 6 8	35 0	40 10 0	96 6 8	0 16 2	0 6 10	2 10 0	16 19
2,000	75 0 0	116 13 4	84 0	4 15 0	205 8 4	0 16 2	0 6 10	2 10 0	22 12
5,000	291 13 4	280 0	9 0 0	300 13 4	580 13 4	0 16 2	0 6 10	2 10 0	28 5
10,000	758 6 8	700 0	15 0 0	773 6 8	1,473 6 8	0 16 2	0 6 10	2 10 0	28 5
20,000	1,591 13 4	1,540 0	28 0 0	1,619 13 4	3,159 13 4	0 16 2	0 6 10	2 10 0	28 5
50,000	4,091 13 4	4,900 0	55 0 0	4,146 13 4	9,046 13 4	0 16 2	0 6 10	2 10 0	28 5
1918-19									
100	—	—	0 4 6	0 4 6	—	1 0 0	2 10 5	4 4 10	4 18
150	—	—	0 4 6	0 4 6	0 4 6	1 2 0	2 17 3	5 9 0	5 12
200	—	—	0 7 6	0 7 6	0 7 6	1 7 7	3 0 9	7 5 5	7 0
500	33 15 0	45 0 0	14 0	35 0 0	60 5 0	0 12 6	3 1 10	7 5 5	15 8
1,000	146 5 0	182 16 3	35 0	149 5 0	220 16 0	3 12 6	3 1 10	7 5 5	25 4
2,000	450 0 0	525 0 0	84 0	454 15 0	613 15 0	0 12 6	3 1 10	7 5 5	33 12
5,000	1,787 0 0	315 0	9 0 0	1,796 10 0	2,111 10 0	0 12 6	3 1 10	7 5 5	42 0
10,000	4,187 0 0	770 0	15 0 0	4,202 10 0	4,972 10 0	0 12 6	3 1 10	7 5 5	42 0
20,000	9,437 0 0	2,100 0	28 0 0	9,465 10 0	11,565 10 0	0 12 6	3 1 10	7 5 5	42 0
50,000	25,187 10 0	6,650 0	55 0 0	25,242 10 0	31,892 10 0	0 12 6	3 1 10	7 5 5	42 0

* Earned income.

† Unearned income.

The charge in respect to death duties is

family of five persons.

Taxation.			Total Taxation.		Direct taxes: Percentage of income.		Indirect taxes: Percentage of income.		Total taxation: Percentage of income.		Income.
Other Indirect Taxes.	Post Office.	Total Indirect Taxes.									
			Earned Income.	Unearned Income.	Earned per ct.	Un-earned per ct.	per cent.	Earned per ct.	Un-earned per ct.	1908-4	
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.						£	
0 1 0	0 1 0	4 11 9	4 11 9	4 11 9	—	—	9.1	9.1	9.1	50	
0 2 0	0 2 0	6 4 10	6 4 10	6 4 10	—	—	6.2	6.2	6.2	100	
0 3 0	0 4 0	7 5 9	7 10 3	7 10 3	0.1	0.1	4.8	5.0	5.0	150	
0 4 0	0 6 0	9 1 7	11 5 9	15 12 9	1.2	3.2	4.5	5.6	7.8	200	
0 4 0	1 0 0	15 15 7	33 1 5	43 19 5	3.4	5.6	3.1	6.6	8.8	500	
0 4 0	4 0 0	25 15 7	74 12 3	103 14 3	4.8	7.8	2.5	7.4	10.3	1,000	
0 4 0	8 0 0	35 15 7	132 3 11	197 13 11	4.8	8.0	1.7	6.6	9.8	2,000	
0 4 0	8 0 0	41 15 7	279 18 11	430 2 11	4.7	8.7	0.8	5.6	9.6	5,000	
0 4 0	8 0 0	41 15 7	515 2 3	951 18 3	4.7	9.1	0.4	5.1	9.5	10,000	
0 4 0	8 0 0	41 15 7	986 8 11	2,005 12 11	4.7	9.8	0.2	4.9	10.0	20,000	
0 4 0	8 0 0	41 15 7	2,388 8 11	5,118 8 11	4.7	10.2	0.08	4.8	10.2	50,000	
1913-14											
0 1 0	0 1 4	4 7 4	4 7 4	4 7 4	—	—	8.7	8.7	8.7	50	
0 2 0	0 2 8	6 1 1	6 1 1	6 1 1	—	—	6.0	6.0	6.0	100	
0 3 0	0 5 4	7 4 10	7 9 4	7 9 4	0.1	0.1	4.8	4.9	4.9	150	
0 4 0	0 8 0	8 19 0	9 14 0	14 2 2	0.3	2.5	4.4	4.8	7.0	200	
0 4 0	1 6 0	15 10 0	28 15 0	49 8 4	2.7	6.8	3.1	5.8	9.9	500	
0 4 0	5 6 0	26 2 0	66 12 0	122 8 8	4.0	9.6	2.6	6.6	12.2	1,000	
0 4 0	10 10 0	36 19 0	116 14 0	242 7 4	4.0	10.2	1.8	5.8	12.0	2,000	
0 4 0	10 10 0	42 12 0	343 5 4	623 5 4	6.0	11.6	0.8	6.8	12.4	5,000	
0 4 0	10 10 0	42 12 0	815 18 8	1,515 18 8	7.7	14.7	0.4	8.1	15.1	10,000	
0 4 0	10 10 0	42 12 0	1,662 5 4	3,202 5 4	8.0	15.7	0.2	8.3	16.0	20,000	
0 4 0	10 10 0	42 12 0	4,189 5 4	9,089 5 4	8.3	18.0	0.08	8.4	18.1	50,000	
1918-19											
1 0 0	0 2 8	13 15 11	13 15 11	13 15 11	—	—	13.8	13.8	13.8	100	
1 2 6	0 5 4	16 8 1	16 12 7	16 12 7	0.1	0.1	10.9	11.0	11.0	150	
1 5 0	0 8 0	20 6 9	20 14 3	24 18 3	0.2	2.2	10.1	10.3	12.4	200	
2 0 0	1 6 0	30 13 9	65 13 9	90 18 9	7.0	12.0	6.1	13.1	18.1	500	
3 0 0	5 6 0	45 9 9	194 14 9	266 6 0	14.9	22.0	4.5	19.4	26.5	1,000	
3 0 0	10 10 0	059 1 9	513 16 9	672 16 9	22.7	30.7	2.9	25.6	33.6	2,000	
3 0 0	10 10 0	067 9 9	1,863 19 9	2,178 19 9	35.9	42.2	1.3	37.2	43.5	5,000	
3 0 0	10 10 0	067 9 9	4,269 19 9	5,039 19 9	42.0	49.7	0.6	42.6	50.3	10,000	
3 0 0	10 10 0	067 9 9	9,532 19 9	11,632 19 9	47.3	57.8	0.3	47.6	58.1	20,000	
3 0 0	10 10 0	067 9 9	25,309 19 9	31,959 19 9	50.4	63.7	0.1	50.6	63.9	50,000	

attributed to Unearned Income in all cases.

Percentage of total taxation to income.

Income.	Earned income.			Unearned income.		
	1903-04.	1913-14.	1918-19.	1903-04.	1913-14.	1918-19.
£						
50	9.1	8.7	—	9.1	8.7	—
100	6.2	6.0	13.8	6.2	6.0	13.8
150	5.0	4.9	11.0	5.0	4.9	11.0
200	5.6	4.8	10.3	7.8	7.0	12.4
500	6.6	5.8	13.1	8.8	9.9	18.1
1,000	7.4	6.6	19.4	10.3	12.2	26.5
2,000	6.6	5.8	25.6	9.8	12.0	33.6
5,000	5.6	6.8	37.2	9.6	12.4	43.5
10,000	5.1	8.1	42.6	9.5	15.1	50.3
20,000	4.9	8.3	47.6	10.0	16.0	58.1
50,000	4.8	8.4	50.6	10.2	13.1	63.9

Conclusions.

I would venture to remind those who may make use of these tables and the diagram of certain points already mentioned in the course of this Address. The first is that these figures, although they are presented with their shillings and pence and their decimal points, make no pretence to the detailed accuracy which their appearance might imply. With the exception of the payments in Income-tax and Super-tax, they are all based upon estimates; for many of those estimates the available material is sufficient, for others it is less adequate. The final results make no higher claim than to represent broadly the facts of the case. The second point is that all these figures relate to families of five persons. The average working-class family is somewhat larger, and the average taxation paid by them is, therefore, a little heavier. Where there is no family, and the income-tax allowances for wife and children cannot be claimed, the taxation payable by the smaller incomes above 130*l.* is also somewhat heavier. The third point of importance is that the charge in respect of Death Duties is allocated to Unearned Incomes only. It accounts for the whole difference between the taxation attributed to Earned and to Unearned Incomes for the year 1903-04, and for the greater part of the differences in the later years. It will be borne in mind also that, for reasons already stated, the Excess Profits Duty is excluded from the computation. That the amount of indirect taxation paid will vary, not only with family circumstances, but also with the personal habits of the individual, is obvious. The working man who does not smoke or consume alcoholic liquors pays, of course, a far smaller percentage of his income in taxation

than his less abstemious neighbour. He pays, in fact, in respect of a family of five, only one-third as much. A working-man, if he is above the income-tax level of 130*l.* a year and has no allowances in respect of wife and children, would contribute one-half the taxation, if he were a non-smoker and a total abstainer, that he would contribute if he were not. Further, the same income may represent different conditions and contribute differently to taxation according to the occupation of the recipient. 200*l.* a year in the tables may stand for an artisan's family, or a clerk's, or a small shop-keeper's. The proportion spent on rent may be considerably greater in one case than in another, and the proportion spent on taxed commodities, and, therefore, the amount contributed to the revenue, may be less. It is possible here to take only the general average.

The columns of percentages in the tables show that the British system of taxation is regressive in the lower stages; the classes with the smallest incomes pay a larger proportion of them in contributions to the revenue than the classes immediately above them. This inequality was very marked in the first period we have had under consideration. It had been redressed a little, but only a little, during the decade before the war. It still persists; though the disappearance of any considerable class in the community, with family incomes of only 1*l.* a week, has gone far to lessen the disparity. Such regression is the consequence of relying for revenue to so large an extent as we do upon the taxation of alcohol, tobacco, tea and sugar, and of the fact that the consumption of these articles is larger in proportion to income among the poorer classes.

Between 1903-04 and 1913-14, the percentage of income paid in taxation by the working classes had been reduced slightly, mainly owing to the decrease in the sugar-duty; it had been reduced slightly also as respects earned incomes up to 2,000*l.* a year. The rate of taxation on the higher incomes had been considerably increased during those ten years through the raising of the Income-tax and Death-duties and the introduction of the Super-tax. Both in 1903-04 and 1913-14 the burden of the death duties on the largest incomes was roughly equal to that of all the other taxes combined.

The war has rather more than doubled the percentages of income paid in taxation by the working classes and lower middle class. It has multiplied threefold the taxation on earned incomes of 1,000*l.* a year; and the increase continues, generally on a rising scale, up to the largest incomes. Earned incomes of 2,000*l.* to 5,000*l.* a year have suffered the most heavily in proportion, compared with the position before the war. Above 5,000*l.* there are

probably few incomes that are not mainly derived from property, and the column for Unearned Incomes, including the charge for Death Duties, is the one which is significant.

At the present rates of taxation and in existing conditions, the workman with a family of five and an income of 2*l.* a week, with the average consumption of his class of alcohol, tobacco and other taxed articles, pays about 5*s.* a week in taxes; the workman with 3*l.* a week pays 6*s.* 6*d.*; and the man with 4*l.*, pays 8*s.* The lower middle-class income of 500*l.* contributes one-eighth, if it is earned, and one-sixth if it is unearned, the latter case including a charge in respect of Death Duties. The millionaire pays half his income in Income-tax and Super-tax, and two-thirds if provision for Death Duties is included.

The consumption of taxed articles this year is limited by the war-time restrictions of supply. If the present rates of duty are continued, while supplies are restored to their pre-war level, the revenue from indirect taxes will be largely increased. Estimates prepared by the Board of Customs and Excise indicate that the increase would be in the neighbourhood of one-fourth, but this would be accounted for to some extent by the increase in the numbers of the consuming population through the return of the soldiers and sailors. To whatever extent the restoration of normal importations and facilities of sale resulted in increased consumption of dutiable articles, to that extent the percentage of taxation paid by the working classes would rise in relation to the taxation paid by the rest of the community. The first table shows clearly how largely the burden of indirect taxation falls upon the smaller incomes, and how insignificant it is in relation to the larger.

The question at once presents itself, how far does our existing system of taxation conform to the requirements of justice? But that is a matter of politics and not of statistics. It is a subject for discussion in Parliament and on the platform, rather than for consideration here. That it will be there debated, as it has often been debated before, there is little doubt. We have progressed, or ought to have progressed, far beyond the simple rule of Colbert, that "the art of taxation consists in so plucking the goose as to procure the greatest quantity of feathers with the least possible amount of hissing." Statesmen and citizens, now that the situation can be reviewed free from the urgent preoccupations of war, will seek for a standard of justice, and by it they will test our present fiscal methods. The statistician can do no more than supply them with the raw material for their investigation. Much hangs upon the outcome; for on the fairness of their systems of

taxation the progress, the contentedness and the stability of States in large degree depend.

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PROCEEDINGS ON JANUARY 21, 1919.

SIR ALFRED BATEMAN, in proposing a vote of thanks, said he owed it to his seniority amongst the officers of the Society that he had the privilege of proposing on their behalf a cordial vote of thanks to their President for his admirable address. As they probably knew, it had been their custom from the commencement of the Society to alternate in their elections. As a rule, they elected what they might call statisticians "*de carrière*," but very often it had been their habit, and he thought a very good habit, to elect not so much from themselves as from eminent public men, statesmen and politicians, and they had so made their choice this year.