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REVIEWS

A Levy on Capital. By F. W. PETHICK LAWRENCE. (London : George Allen and Unwin. 8vo. 94 pp. Price 2s. 6d. net.)

THIS is a crisp and clear statement of the case for a levy on capital. In spirit and treatment it closely resembles Professor Pigou's article in the *ECONOMIC JOURNAL* for June last, though there are differences of figures and of detail which cannot be brushed aside as unimportant. The conclusion is that "with the exception of the *rentiers* and the very rich the levy will bring about a distinct improvement in their net incomes." By *rentiers* are meant those with a capital of £50,000 or upwards yielding interest presumably at 5 per cent.

Assuming the State debt after the war to be £6,000 millions net, it is claimed that this could be wiped out by a levy which at a flat rate would be 38 per cent. A scale is drawn up graduated from small beginnings to 62 per cent. on millionaires. By "capital" is meant material property, including jewellery, furniture, clothing, &c., but not the capitalised value of earned income. In other words, brain capital and muscle power would not be brought under the levy. A hypothetical post-war Budget is framed. The annual expenditure is estimated at £750 millions, and it is maintained that to balance the Budget we shall, on the basis of existing taxation, need an income-tax of 7s. 6d. in the £ on unearned income, with doubled death duties and a supertax increased in proportion. After the levy the income-tax could be reduced from 7s. 6d. to 3s. 6d. A smaller levy would, of course, give less relief to income-tax. But it is suggested by other advocates of the levy that if half-measures prove satisfactory there will be a strong case for whole measures.

If, as Mr. Lawrence thinks, an internal debt is no burden upon the community—which in one sense of the word "burden" is a truism and in another sense untrue—why is it essential to pay it off at once by a colossal levy? Impatience of debt is a healthy sentiment; and after the war the reduction of national debt will be the plain duty of statesmen. But the question how fast and by what methods the debt is to be reduced is one of expediency which

must depend upon our financial position, our needs, and our resources, not yet to be forecast with precision. The debt charge will be heavy, war pensions will be considerable, the housing problem will be expensive, the cost of clearing up, of making good depreciation, and of getting into working order generally will offer serious problems to Government and to business men. What will be the capital and the aggregate income of the community when peace comes, what its distribution, what the course of prices and the state of credit and business? What is the incidence of taxation on its present basis, and what are its defects? All these are essential considerations, not to be airily dismissed as mere details which do not affect the argument.

It is urged that without a levy on capital we must have a crushing income-tax, inimical to production and to saving, that the income-tax has its anomalies and injustices, and that accumulated wealth must come to the rescue. Moreover, "speaking broadly, the distribution of wealth will be still more unequal when the war ceases than it was when it began, for the small number of rich men will retain most of what they had before, and in addition will have added the right to participate, because of their holdings of War Loan . . . in a great part of the wealth which future generations will create." This last statement seems to be against the weight of evidence. Without going so far as to say that "speaking broadly" the war has made the rich poorer and the poor richer, we must at least demur to the suggestion that an investor in War Loan does more than convert from one form to another—and not always a more lucrative form—his right (or power) to participate in future wealth.

It may be conceded that property must be taxed as well as income, and this is already, though somewhat capriciously, done by the death duties. Be the distribution of wealth what it may, there is nothing illogical or unprincipled in resorting to the fund as well as to the flow of wealth to meet the needs of the State; but the balance must be held between the net advantages of taking more or less, and the distribution must be fair. These are the weak points of the proposals. What is wise and what is fair needs further discussion.

Limits of space preclude such a discussion in this notice. Assuming that we have a scheme for the simplification and reform of the income-tax, a proposal for the valuation and taxation of capital as such, framed after a study of Dutch and other precedents and an estimate of receipts and expenditure on the basis of present taxation, shall we be forced to the conclusion that

a levy on capital on "heroic" lines is the only practicable course? The cost of housing is estimated by Lord Selborne's Committee at 100 millions sterling for England and Wales alone, and the needs of Scotland and Ireland are stated to be still more urgent. Mr. Leslie Scott, one of the Committee, thinks the sum mentioned will provide at most for rural housing south of the Tweed. But this expenditure will yield some revenue, possibly enough to cover the cost. War pensions, which will chiefly benefit the poor at the expense of the rich, will be a diminishing charge, and so long as they exist will affect the alleged altered distribution of wealth. A statement of the total wealth and income of the population and the distribution of these resources, together with an estimate of the incidence of present taxation, will make it possible to envisage the fairness of present and future taxation. A tax upon property, as such, sufficient to redeem year by year 50, or 100, or 200 millions of debt is surely preferable to an additional tax of 6,000 millions at one stroke. I am asked to pay £100 to the State forthwith because I have certain furniture, books, pictures, clothing, etc. Why? Because the State is thereby relieved of the necessity to find £5 a year for the fundholder. But if I say "Be content. Take £6 or £8 or £10 a year instead of a lump sum of £100," it is clearly good business for the State to accept the annual payment. Time is money. To give the taxpayer time may help him without detriment to national finance. Modern life and modern business are very complex affairs. To thrust the big indiscriminate hand of Government into this delicate machinery with a demand for enormous sums at a time when we are being bled white is a hazardous procedure. The placards which tell us "It's safe" in War Loan will provoke cynical comment if the public feel that "It's safer" in a stocking or buried in the garden. "Never again" is an easy assurance, but history shows how dangerous a thing it is to make the taxpayer afraid to disclose his wealth. If the plea for an enormous levy led to a secretion of money, its consequences might be so serious as to require another chapter in the next edition of this work. The probable reactions of various kinds have not yet been adequately faced.

HENRY HIGGS

The Economic Causes of War. By ACHILLE LORIA. Translated by JOHN LESLIE GARNER. (Chicago : Kerr. 1918. Pp. 188.)

THE first edition of this book was published in 1912 under the title *Les Bases Économiques de la Justice Internationale*. It was reviewed by Mr. Norman Angell in the *ECONOMIC JOURNAL*, 1913.