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La Réforme Fiscale par l'Impôt sur le Revenu by A.-E. Gauthier; L'Impôt sur le Revenu en Prusse by René Bomboy; L'Impôt sur le Revenu en Autriche by Victor Marcé
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properties, to which alone the term "compounding" is applied. Again, he says that the proceeds of the Imperial grants paid to local authorities out of the estate duties and customs and excise duties are fixed in amount (p. 215); whereas, in fact, it is only the proportions paid to the various local authorities that are fixed, the total amount of the grants varying according to the produce of the duties.

The general conclusion arrived at is "that the total ordinary expenses of these European cities are greater *per capita* than those of all the public authorities in Chicago"; and that "when, besides the actual differences in money spent, there is considered the higher rates of wages, salaries, and prices generally, it becomes evident that Chicago cannot expect to attain the standard of municipal service furnished by the European cities without a substantial increase in the expenditure for municipal purposes."

In dealing with such questions as municipal activities in Great Britain and municipal conditions in European cities it is not possible, of course, to enter into the detail that makes the first sections of the volume especially valuable; but it is evident that the essential facts have been seized. This being so, it is almost hypercritical to note such obvious slips as the statement on p. 299, regarding underground local railways in London, that "the early lines were built *well below the street surface*, and were operated by steam engines," and that "within the last half-dozen years a new series of underground electric lines have been constructed in subways *comparatively near the surface*."

The last essay of all is a vigorous plea for a correlated system of instruction in municipal government running through the whole educational system—a plea that needs to be urged as strongly in England as ever it may be in America. J.C.S.

14.—I. *La Réforme Fiscale par l'Impôt sur le Revenu*. Par A.-E. Gauthier. 340 pp., crown 8vo. Paris: Félix Alcan, 1908.

II. *L'Impôt sur le Revenu en Prusse*. Par René Bomboy. xx + 359 pp., 8vo. Paris: Arthur Rousseau, 1908.

III. *L'Impôt sur le Revenu en Autriche*. Par Victor Marcé. 100 pp., 8vo. Paris: Georges Roustan, 1907.

The recent action of the Government in France, which has at last, it would seem, brought the proposal of an income-tax within the sphere of practical politics in that country, has produced the additional consequence which generally results from the active initiation and prolonged conduct of a popular debate. It has exerted an appreciable influence on academic circles, where it has advanced the discussion of the questions raised both in their speculative aspects and in their practical application. It has in the process disclosed new points of view, and thrown a fresh, stronger light on old and trite considerations. For it has fixed the attention of those whose regular business it is to devote their studies to economic matters generally; and it has stimulated inquiry, more zealously pursued perhaps than heretofore, into the particular portion of their theoretical concerns, in which the outside public is

interested at the moment. It has also prompted a more observant and detailed scrutiny than had hitherto been as a rule attempted or achieved by French writers into the practical experience of other nations with a view to ascertain and enforce the lessons which can in their opinion profitably be drawn for the instruction, positive or negative, of their own Ministers and people in financial matters. It has, in fine, been the beneficial cause of opportune additions to the existing literature of taxation, which seem likely to prove of more than ephemeral importance; and, having served their present purpose in the actual controversy, they will remain for the enlightenment of future students.

Thus the three books before us, which may be regarded as samples of the class we have described, deserve, and will reward, the notice of the readers of this *Journal*. They have, it will at once be evident to those who attempt successively their perusal, been evoked directly by the paramount insistent needs of the political controversy now being waged in the special country with which their authors are connected. The last of the three was printed originally in the Bulletin of the French Society of Comparative Legislation; and it was actually prepared by M. Marcé, the author of a book published two years before, in compliance with the express request of the General Secretary of the Society, because his previous study of the question, contained in the third section of that book, would, it was thought, enable him, without much pains, to supply the members with an authoritative *résumé* of the nature and position of the income-tax in Austria. In meeting that desire, felt naturally by the Society at the immediate juncture, he has been successful; and in the compass of a hundred pages he has managed to compress a clear adequate account of the salient characteristics and the most important details of Austrian arrangements for the assessment and collection of the income-tax.

The main purpose of the inquiry is still more evident in the actual text of the second of the three books noticed in this review. Dr. Bomboy has made, not for the first time in his country, a careful examination of a fuller kind than that essayed by M. Marcé, into the past history and present condition of the income-tax in Prussia, devoting special attention to the reforms of Dr. Miquel in 1891. He has also investigated the existing practice followed in other portions of the German Empire. Both in the statement of the general position he assumes, and in the fresh detailed statistics furnished in his concluding section, he has had, it is plain, continually before his mind the bearing of accomplished facts in Prussia on possibilities which may reasonably be realised in his own country. He does not indeed conceal the moral he wishes to be drawn. He is not, we have remarked, the first French writer to discuss with attentive pains the lessons furnished by German (and, more especially, by Prussian) experience of the income-tax; and in a recent number of this *Journal* a competent work upon this topic was reviewed. [G. Wampach. *Journal*, Dec., 1907, p. 680.] But his new study of the subject will reward those acquainted with such previous essays; for, so far as we can judge,

it is both authoritative and complete, and the suggestions it contains are no less pertinent than they are acute.

The first book of the three—by M. Gauthier—inclines to a conclusion opposite to that hinted by Dr. Bomboy; for the author recommends without hesitation or reserve the substitution of an income-tax for a large portion of the fiscal scheme prevailing in his country. His brochure is avowedly polemical; and his position as Senator, and as former Minister, might not unfairly be regarded as indicative of the practical standpoint from which he views the question. But, while he writes as an advocate rather than a judge, he has not shirked the difficulties the reform he seeks must necessarily encounter. On the contrary, he has attempted with no small measure of success to discover and disclose the particular details which must receive attention in the actual elaboration of the broad idea of an equitable income-tax.

Although therefore these three books, regarded severally, or considered together as one whole, show plain traces of the special local transitory circumstances to which they owe their birth, their authors may yet be held to furnish fresh illumination for the abiding benefit of others besides their countrymen at the immediate moment on the aspects from which an income-tax may be examined as a fiscal instrument, or be estimated as an economic factor. It is true that direct references to English experience are not numerous or conspicuous in any of the three; and Dr. Bomboy and M. Marcé turn their attention avowedly to Germany and Austria. And yet it is not difficult to gather from their pages some pregnant hints on which English politicians, meditating for example the imposition of a super-tax on incomes of large magnitude, might ponder with advantage before they actually attempt to give practical effect to their ideas. Nor can the topic of the right or wrong particular methods of assessing and collecting various kinds of income-taxes, or of the general pros and cons of such a fiscal expedient, be deemed uninteresting for us, when within the last two years we have seen the fresh acknowledgment of the principle of differentiation between different categories of income, in the new distinction made between incomes which are “earned,” and those which the wisdom of the revenue authorities as embodied in a Parliamentary enactment has pronounced to be “unearned.” The recognition of this difference has curiously enough resulted, so we have been authoritatively informed, not in the loss which was anticipated, but on the contrary in a gain to the Exchequer. For it has reaped the benefit of the disclosure made of income hitherto untaxed by payers anxious to secure the fresh privilege bestowed on certain varieties of wealth. This experience confirms strikingly the commentary advanced on Austrian and Prussian practice by two of the three writers of the books before us, who have dwelt on the importance of eliciting the active approbation or ensuring the unconscious acquiescence of the classes taxed in favour of the special methods of taxation which are being actually employed. It shows also that the pursuit of ideal equity should take account of practical considerations which possibly may conflict in reality or appearance with its primary principles.

M. Gauthier, in his cogent argument for reform, quotes a declaration made by Mirabeau in 1789 that the standard of taxation should be a contribution by each citizen to the expenses of the State in proportion to his or her ability. The realisation of this ideal, contemplated by the authors of the Revolution, included in the fiscal scheme an income-tax; but the subsequent financial history of France took another shape, and the final result has been, not a system of fiscal equity, in which taxation is proportioned duly to the ability of each tax-payer, but a complicated arrangement, violating obvious justice in its search for facile modes of raising a large revenue. M. Gauthier reviews the existing French taxes, which are expressly styled direct, or can be not inaccurately included in that category, and, while he allows that they are not in every case open to the same amount of adverse criticism, he yet contends that, if the ideal of Mirabeau, which he himself adopts, is to be attained, an income-tax assessed on rightful principles must take the place of those unsatisfactory taxes. That is the reform which he now warmly advocates as necessary and expedient; and probably there are few, if there are any writers, on the subject of taxation who would not agree that, theoretically viewed, an income tax approximates more fully than any other single tax to the ideal of taxation proportioned to ability. But without the further consideration of detail the approximation remains imperfect; and the grave difficulties, and the most likely opportunities for serious injustice, present themselves without delay as we proceed to an inquiry into the minute actual working of a fiscal mechanism operated by this main principle. For graduation in the rate is the only means by which the burden of an income-tax can be adjusted fairly between the richer and the poorer classes; and graduation must perforce be fixed by rules which, however carefully they be framed, cannot avoid entirely the suspicion of being arbitrary or hap-hazard. Exemption is also evidently dictated by the requirements of full justice, and yet there are no definite conditions which can be laid down for certain guidance in such a matter, while the allowance of exemption is bound almost inevitably to raise the dilemma which the administration of an income-tax generally presents.

A declaration of income, it is clear, opens the door to fraud, or at any rate permits involuntary dishonesty, if it is not accompanied by the threat of heavy penalties, or by the exercise of inquisitorial powers of authoritative inspection. But such inspection, even if it can be held to be entirely effective, constitutes a harassing infringement of the liberty of the individual, who may also entertain with reason the disquieting suspicion that his neighbours will, in spite of all precaution against illicit leakage, learn more of his concerns than he desires or intends. And yet without such personal declaration it is impossible to reach ideal justice; for assessment by external indications, noted by expert officials, can hardly fail to be unsatisfactory; and the convenience gained in certainty of receipt and the absence of disturbing friction by the collection of an income-tax at the source of income is manifestly not compatible with that

assessment of the income as a whole which the full application of the principle of graduation necessarily involves. Such are the difficulties which arise in turn in the practical operation of an income-tax; and M. Gauthier does not conceal or avoid them in his book. He deals with them in his successive chapters. As he shows, it is by no means easy, nor is it so simple as it may appear, to determine such preliminary questions as the persons whose incomes should be taxed, or the amount of their respective incomes which should equitably be subject to the levy of the State; and the suggestions he puts forward later on the "dossier" to be kept, made up carefully to date, by the revenue officials respecting each contributor, and the "visa" which, with the same object, must be officially affixed to render valid certain common transactions of daily life, bring into strong relief the imminent possibility of fraud, and the difficulty of making adequate provision against its occurrence. Yet he sees in the introduction of an income-tax, levied on the income as a whole, with graduation and exemptions, into the French fiscal system the one appropriate means of realising his ideal of taxation proportioned to ability, and he would wish that it should take the place now filled by other species of direct taxation.

M. Gauthier views accordingly with entire favour the adoption of an income-tax as a fiscal instrument; but the two other books, which, from considerations of space, must here be noticed very briefly, offer qualifying commentary on his opinions and his hopes. Dr. Bomboy shows that, important as is the actual place now taken by the income-tax in the Prussian financial system, and largely as it has encroached on the sphere filled previously by taxes now abandoned or reduced, it does not yield the amount of revenue which would be needed to satisfy in France the requirements avowed by M. Gauthier; and he argues very cogently that the bureaucratic instincts of the Prussian people facilitate in a remarkable degree the successful operation of their income-tax arrangements. They do not apparently resent the inquisitorial investigations of their taxing officials; and they submit without serious resistance to the dictation to which they are, it seems, in many respects subjected. But their system is nevertheless attended by some of the difficulties we have described; and the absence of noticeable friction does not imply the entire avoidance of perplexing ambiguity. In fact Prussian administrators have, Dr. Bomboy proves, been driven by the pressure of practical exigency to a resort, if at present it be only partly used, to the expedient of a compulsory declaration by the individual of his total income, with its unsatisfactory but inevitable accompaniments. Similarly, in the case of Austria, M. Marcé shows instructively that the introduction of an income-tax in 1896 on incomes as a whole was assisted by tradition, as well as by the careful observation of the experience gained previously in Germany, and that in actual practice the arrangements for assessment have remained in the control of the influential classes, and the whole scheme has, in fact, been skilfully engineered by them so as to represent an opportune concession, more apparent, perhaps, than it is genuine, to democratic feeling. It is accordingly impossible, so

these two authors implicitly allow or explicitly contend, to argue from the position in the countries they have been examining to the case of France without taking into due account the actual modifying circumstances.

L.L.P.

15.—*Gold, Prices, and Wages under the Greenback Standard.* By Wesley C. Mitchell. xv + 627 pp., large 8vo. Berkeley: The University Press, 1908.

This first volume of the University of California publications in Economics contains a painstaking and thorough examination of the effect of the greenback depreciation on prices, wages, and the cost of living. On the war-period Mr. Mitchell has previously written, and the present volume is an extension and completion of those earlier studies at Chicago.

The material available is neither very extensive or ideally adapted to the purposes of the inquiry, but good use has been made of unpromising data, and confirmation indirectly secured for conclusions based on a foundation rather too narrow to justify complete confidence without such support.

Very free use is made of medians and deciles in preference to arithmetic means as indices of the movements studied, though the arithmetic means are used in certain cases where they are deemed more helpful. Some of the irregularities which call for explanations put forward by the author are due to the narrow range of his material, and the fact that he takes the actual median item in his enumerations as representing the true median of the grouping of which he can present only a small sample. Possibly a recourse to methods explained by Mr. Bowley in his writings, and used by him and others in this country, whereby a calculated median replaces the median item of the sample examined, and similarly for the deciles, might have obviated the necessity for some of these discussions of irregularities.

Mr. Mitchell, among his criticisms of Professor Falkner's handling of the data presented in the well-known Aldrich report, sets forth the advantages of grouping related items in the list of goods whose prices are quoted in that report. The present writer has, in some cognate studies, found that such a grouping produced a quite surprisingly small effect on the result; so that, proper as it may be from the theoretical standpoint, it may not be assumed without proof that the grouping plays a large part in modifying the results attained.

But few of the results can be referred to, and the description of methods and materials must be limited to the preceding brief references to them. The general nature of the conclusions reached is quite in accord with what the study of problems of like nature would lead us to expect. The premium on gold advanced at first more rapidly than average prices of commodities, and these more rapidly than wages. In course of time the slower movements overtook the more rapid one, which had been reversed in the meantime. In the downward movement, again, a relative retardation similar to that noted for the rise is demonstrated. Minor