

tax only *increases* in land values. It is perhaps surprising that there should be an entry at all for Land-Value Tax, and its advocates might construe this as a good sign were it not that what is said about it shows the author at his worst. "The main difficulty," he writes, "is to distinguish the portion of payment for the use of land that is a payment for this service and the portion that is pure economic rent." This baffling distinction is not only incomprehensible in context (no service is previously referred to) but also erroneous: the land owner as such performs no service, and the payment made to him, as land owner, is *all* economic rent.

The same woolliness is apparent in the analysis of types of income, where the author asserts that the factors of production receive rent, wages, interest, and profit, but that a factor often receives more than one type of income. What is presumably meant is that one person can control more than one factor, but what is written is logically absurd. When the author declares that there are often elements of rent in wages and in profit he is, again, muddled, probably as a result of extending the word rent to include quasi-rent.

Again Dr. Hanson defines productivity as the amount of production in relation to the labour employed, whereas it surely should be defined as production in relation to the total resources employed—land, labour, and capital—the relation of total output to total input.

Dr. Hanson is by no means always as unsound as this, and is able to talk about international trade, the laws of supply and demand (how rare to see them formulated), and even *laissez faire* without stumbling. He makes some interesting points, such as that industry in Great Britain is more widely distributed than at any time during the last two hundred years. He gives free exchange rates a fair deal, and his wealth of straight ex-

planations could be a boon. It is a book from which most of us can learn a great deal.

Its weaknesses are its mixture of opinions with facts, and the author's own lack of clarity in some places. These are serious failings in a work of reference, for they can result not only in a lack of criticism, but in the misapprehension of fundamental economic ideas, and if these are wrong the whole superstructure of thought will be wrong too. A dictionary does not properly serve its purpose if it befores those who consult it. A.J.C.

CHILD'S GUIDE TO THE LAND COMMISSION

MR. HUGH ROSSI, M.P., a solicitor well versed in municipal affairs, has been trying his hand at the estate duty levied under the incomprehensible Land Commission Bill. His formula is evolved like this:

1. Probate Value = Gross Principal Value.
2. Gross Principal Value—(Mortgage + Funeral Expenses + Debts) = Net Principal Value.
3. Net Principal Value × Rate of Estate Duty ÷ Gross Principal Value = Effective Rate of Duty.
4. Gross Principal Value—Modified Value = Excess Gross Value.
5. Excess Gross Value × Effective Rate of Duty = Appropriate Allowances (i.e. for deduction from levy).

The whole of this may then be expressed as a complete equation as follows:

$$AA = (GPV - MV) \frac{[GPV - (Mtge + FE + Debts)]RED}{GPV \times 100}$$

From *The Daily Telegraph*

Letters to the Editor

FREE TRADE

SIR,—The belief that we should not import goods from low wage countries still persists despite the economic fallacy contained in this idea. It is not a matter for argument but simply of economic fact. Free trade can never import a lower standard of living. The absurdity of this is readily seen in the case of cheaper foreign goods produced by relatively higher paid labour.

What free trade would do, of course, is to administer an economic kick in the pants to those who now shelter and hide behind a tariff napkin.

Britain can stand up to free competition from abroad, and even the readjustment period need not be too

painful *if* productivity resources at home are also really free. These resources certainly were not free in the great free trade era, and the issue is therefore clouded and free trade blamed for the crippling effects of monopoly.

To break the chains of monopoly and allow British industries to show what they can do we need to reduce the tax burden on enterprise, tax land values instead, and welcome all the foodstuffs and materials from abroad which it is advantageous for us to import rather than produce ourselves.

Yours faithfully

V. G. SALDIJ

London, N.W.1.

TAXATION

SIR,—We have just had delivered to us a Report of a Royal Commission on Taxation which has been studying the question for four-and-a-half years, spent \$3,500,000 of public money, and has found that the basic principle of taxation is ability to pay.

The Report is so long, it cannot be read. There is seven and one-quarter inches of it; I have just measured it!

The Finance Minister says that it will take a long time to digest it, and I see by the newspapers that the tax authorities think they can get it read and digested sometime in the next ten years.

Perhaps some of your tax experts would like it; if so the price is \$40.00.

Yours faithfully,

A. W. ROEBUCK

The Senate, Canada.