

Tr. to Sr. BUHR
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PREFACE

The aim of this book is to provide a fairly detailed analysis of some of the problems involved in progressive taxation and to suggest how these problems can best be met. It is intended to cover the middle ground between discussions of the broad economic aspects and the theoretical basis of progressive taxation on the one hand and detailed analysis of the finer distinctions made by the law on the other. General economic discussions may provide the lawmaker with some general patterns toward which to work, but often fail to show exactly what should be done in concrete instances to fit the tax to these patterns. On the other hand, detailed discussions of legal technicalities, while of value to the tax practitioner, often focus attention on such minutiae that the fact that the basic pattern may be faulty often passes unnoticed.

Accordingly, skipping briefly over the philosophical and theoretical background of progressive taxation, I have proceeded to discuss point by point just what must be done to weld our progressive tax structure into a consistent, workable system, reasonably free from undesirable repercussions and capable of producing substantial redistribution of income. In the process I have necessarily discussed some detailed points of law, but in general only to the extent necessary to show the existence of a defect and arrive at an economically sound solution to the problem. The job of exploring and surveying in detail the tortuous boundary that separates the legally taxable from the legally non-taxable and of attempting to predict which way the line will shift next as a result of legislation and court decisions I have left to others who are better acquainted with the vagaries of the legal and the legislative mind.

There is no pretense at a complete coverage of all the many problems that arise in connection with progressive taxation.

I have tried to cover the main points at which reforms are needed, but many points have been overlooked. In some cases the omissions are intentional, as where matters that might be made the subject of a minor reform would be adequately taken care of by a more inclusive and fundamental reform. This is in general true of the discussion of succession tax problems. In other cases the selection of topics represents merely a personal evaluation of their importance. Some lesser items are discussed in some detail chiefly because they have been brought rather forcibly to my attention.

In considerable measure, of course, the suggestions and recommendations are reflections of personal preferences rather than necessary implications of universally accepted norms. This is particularly true of the suggestions made for the treatment of the family, but is also true to a smaller extent at other points.

The reader's indulgence is sought in particular for the relatively large amount of space devoted to two somewhat novel major reform proposals: cumulative averaging and the bequeathing power succession tax. While each of these proposals has been described briefly in separate articles, this is the first time they have been included as parts of a complete tax system. It is hoped that the reader will not be repelled by their radically new aspects, for I believe they are the essential core without which the development of a really satisfactory progressive tax system will be difficult if not impossible.

The chief frame of reference for this book is the present federal income tax in the United States, although at times reference is also made to features found in the British, Canadian, and state tax systems, as well as to features of former federal tax laws. Much of the discussion and many of the recommendations are nevertheless in sufficiently broad terms to be applicable to progressive taxation in any jurisdiction.

While some of the special problems of progressive taxation in local jurisdictions are touched upon briefly, no attempt has been made to give a complete treatment of these problems. This brief discussion has been included only to round out the picture and because the possibilities of local progressive taxa-

tion have been so little discussed that it is difficult to find adequate references. Similarly, the discussion of "net worth" taxes is fragmentary, serving merely to point out some of the more remote possibilities.

It will be noted that a great deal of emphasis is placed on making the tax burden independent of choices made by the taxpayer. Indeed, if there is any theme running through this book it may perhaps be best expressed by the term "neutrality." Most of the suggestions made are centered around this principle: taxes should not influence choices unless this influence is a part of a deliberate social policy. This preoccupation arises not so much from a concern over the importance of these choices in themselves, but rather from a conviction that unless the tax is freed from such irrelevant effects the degree of progression that can be achieved is severely limited. No brief is here entered for any particular degree of graduation, aside from the very vague principle of maximizing total utility developed in Chapter 11; all that is maintained is that the degree of graduation should be determined by social policy, and should not be unnecessarily limited by the development of avoidance possibilities or other purely technical considerations. Nor should such a progression standard be inferred from the examples given at various points: in many cases severe rates are used primarily to illustrate the principles more forcibly.

In short, it is hoped that this book will provide an agenda for those who are interested in improving the progressive elements in our tax structure and in extending their use. It is too much to hope that all of the suggestions made here will be adopted, but if some of them prove useful the book will have served its purpose.

I wish also to take this opportunity to acknowledge my indebtedness to my predecessors in general and particularly to my former colleagues in the United States Treasury department and elsewhere for their stimulating discussion of many of the points raised. Special thanks are due Carl Shoup and R. M. Haig not only for their criticisms and suggested corrections of the manuscript, which of course implies no responsibility on their part for opinions expressed or errors that may have crept

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