

---

*The Economics of Inheritance.* By JOSIAH WEDGWOOD. (George Routledge and Sons. 1929. Pp. 276. 12s. 6d.)

THIS is one of the relatively small class of books that may be said to make a definite contribution to economic knowledge, and a contribution, moreover, of serious practical importance. The author has an extremely logical mind whose reasonings he is not afraid to follow; neither is he afraid to seek the fullest possible data upon which to base his conclusions.

Mr. Wedgwood accepts as common-ground the view that the existing inequality in the distribution of wealth in this country is socially undesirable. In his opening chapter he examines the relations between inequality and productivity with a view to finding out how far we must put up with our present system of distribution in order to make sure that we have something to distribute. He comes to the conclusion that the arguments for

inequality may be easily exaggerated; that for an adequate supply of capital—that rock on which so many equalising projects split—we may increasingly rely on the corporate savings of companies and public authorities, and that we must not overlook the increased productivity (due to greater efficiency of the poor, better distribution of national resources and the end of the idle rich) which a more nearly equal distribution would itself promote. The real issue here is, of course, quantitative. We are all prepared to admit that there is something in Mr. Wedgwood's arguments (though some of us ignore them till they are thrust upon our notice, which alone is sufficient justification for this chapter). The important questions are: how much does each of these arguments weigh, and which side does the balance fall? These Mr. Wedgwood naturally cannot answer, for they are unanswerable except by experiment. He cannot be blamed for not telling us just how much more the sweated worker would produce if he had another half-crown a week or how many millions corporate bodies might be induced to save if private savings wilted under the disappearance of a very rich class. Nevertheless, it is on the answers to these questions that the possibilities of equalising experiments do, in fact, depend.

Mr. Wedgwood's work has therefore more definite practical value when he proceeds to inquire how great is the part which systems of inheritance play in maintaining unequal distribution. This is introduced by a very acute analysis of the direct and indirect effects of inheritances. Mr. Wedgwood distinguishes six factors which must affect the relative influence of inheritance on distribution in different countries or at different times; namely, inheritance laws; systems of taxation; the extent of philanthropic bequests; marriage customs; the size of families; and the degree of stability of political and economic systems. These are then discussed in detail in the following chapters. Among the conclusions which emerge is the fact that the influence of the continental *legitim* system in moderating the tendency of inheritances to create inequality has been much exaggerated.

The author next turns to inquire what proportion of British property has been inherited. The sources of information on which he chiefly relies in this investigation are, first, the statistical data as to the growth of property between 1885 and the outbreak of war, and, second, a study of 200 sample estates, the preliminary results of which have already appeared in the *ECONOMIC JOURNAL* of March 1928. While there are considerable gaps in the figures upon which Mr. Wedgwood must draw, his statistical work is

exceedingly careful. The margin of error in his conclusions must be traced to the defects rather of his materials than of his workmanship. He finds that "the proportion of the total property before the war derived from inheritance may be put at round about three-fifths," this figure being the mean between the results of two careful calculations which differ considerably. From his analysis of sample estates Mr. Wedgwood concludes further, "that of the *men* in the upper and middle classes at the present day, about one-third owe their fortunes almost entirely to inheritance (including gifts *inter vivos*), another third to a combination of ability and luck with a considerable inheritance of wealth and business opportunity, and the remaining third largely to their own activities. . . . As regards the *women*, who now hold 25 to 30 per cent. of the property in these classes, it is probable that nearly all their fortunes are due to inheritance and marriage, augmented, no doubt, to some extent by saving out of the income from these sources." At the other end of the scale we learn that "not one in a thousand of the sons of working men (or wage-earners) ever accumulate as much as £10,000."

With the theoretical justification of unrestricted freedom of inheritance Mr. Wedgwood is not impressed. Against the argument from established expectations he puts the counter-claim that it is at least as unfair to establish unreasonable expectations as to disappoint those which are already established; and he has only ridicule for the "curious idea" that large inheritances are desirable as an incentive to industry on the part of those who do not receive them. He is inclined also to belittle the part which freedom of bequest plays in stimulating the industry and accumulations of those who may have something substantial to bequeath. In the whole of his discussion of the relation between freedom of inheritance and the motives of industry Mr. Wedgwood inevitably encounters again the same lack of quantitative information as made his opening chapter inconclusive. Here too his general arguments are sound, as far as they go; but how far that is no one can tell.

The final chapters on equalisation of inheritances by taxation and proposals for the reform of the British Death Duties are interesting, particularly for the new criticisms which the author has to make of the Rignano scheme. Admitting that if a Rignano duty were perfectly administered it would have no discouraging effect on saving, he compares this type of tax, much to its disadvantage, with his own proposal for a simple tax graduated on the size of individual inheritances. In particular, he points out

that the Rignano tax neglects the fact that what a man saves is partly determined by what he inherits, and that it differentiates against short-lived heirs; though these objections apply with much less force to what is generally known as the modified Rignano principle than to the original scheme of three rates of tax designed to wipe out a property in three generations. Mr. Wedgwood would couple with his own inheritance tax the confiscation of intestate estates where no near relative survives.

Mr. Wedgwood writes in a sensible and businesslike style. His argument being very closely reasoned, the book requires (even from those who are prepared to omit the statistical appendices) careful reading; but it fully deserves the compliment of this attention from all serious economists.

BARBARA WOOTTON