Part III is devoted to a study of the phases of budgeting from the administrative agencies to the budget bureau, the legislature, the executive, and the accounting and auditing functions.

In Part IV certain problems in budgeting are studied. These are revenue estimating, the control of public enterprise, the balancing of the budget, and the budget and economic development.

Professor Burkhead's treatise on government budgeting is comprehensive in scope and modern in its treatment. The budget is seen as a means of planning and controlling public financing and integrating government finance with the activities of the modern economy.

Government budgeting is regarded by the author as a branch of applied economics. Through it, our resources may be utilized to the maximum economic advantage.

The emphasis is upon federal budgeting, but state and local government budgeting are not overlooked. The author explains that information concerning federal budgeting is more accessible than that concerning the budgeting of our numerous state and local governments. It is evident also that the economist has found the federal budget of greater interest to him, because of its impact upon the economy and its availability as a tool of fiscal policy, than the many unco-ordinated budgets of the state and local governments. It may be hoped that in time more attention can be given to the important problems of state and local budgeting.

Teachers and students will find this book helpful in their study of public budgeting and its problems, particularly if they are interested in the relationships of public budgeting and the economy. The material is well organized and clearly presented. It is also thought-provoking.

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An Expenditure Tax. By NICHOLAS KALDOR. London: George Allen & Unwin, 1955; distributed by Macmillan, New York. Pp. 249. $2.75.

The three-hundred-year-old proposal to tax on the basis of what a person takes out of the nation's product (his consumption) rather than on what he puts in (as measured by his income) still seems to make a great deal of sense. Yet, in the author's words, "There can be few ideas in the field of economics which are so revolutionary in their implications. . . ." The change he recommends, whether or not truly revolutionary, is presented as a major reform. It is to substitute a progressive tax on expenditure for the British surtax, that part of the tax on income over £2,000; it reaches relatively few persons (under 4 per cent of those paying income tax) but at high and progressive rates.

This book is an outgrowth of the author's work as a member of the Royal Commission on the Taxation of Profits and Income. It focuses on British conditions but with numerous references to the United States and analysis that often has general application. It takes account of a wider range of considerations that interest economists today than did Irving Fisher's pioneering *Constructive Income Taxation,* which showed in detail how a tax on spending could be so very different from customary sales taxes. This study may, therefore, get a less unsympathetic hearing than did Fisher, who wrote when stimulating consumption and discouraging thrift seemed to many economists desirable goals of peacetime public policy. Kaldor recognizes a large debt to Fisher for pointing out general lines of administration which might make this type of tax feasible and thus worth the serious study reflected in this volume.

The study is divided into two parts. The first deals with principle and covers such topics as the definitions of income and taxable capacity, the relation of taxation to savings, risk-bearing and incentive to work, business taxation, and taxation and economic progress. The second deals with practice. The first will probably have more appeal for economists, at least on this side of the Atlantic; for our needs both Fisher's proposals and those of the Treasury in 1942 seem more appropriate.

The discussion of the concept of income and taxable capacity deserves a wide audience though the excellent technical Appendix will appeal chiefly to economists. The reviewer was struck by the importance Kaldor attaches to spending out of capital and to capital gains as a source of tax exempt income which finances high levels of consumption by a small minority in Britain. The author concludes that existing methods of income taxation do discriminate against, and discourage, savings, but measurement is impossible. A progressive tax on consumption will have less deterrent effect on incentives to work than an income tax.

The chapter on company taxation may at first seem something of a digression; differences between the British and United States' methods of taxing business and capital gains make the discussion less relevant to our situation than to Britain's; Kaldor finds in it, too, reasons for favoring a tax on expenditure, partly because (much of) the tax on corporations is eventually shifted to consumers and thus does not fall on owners. The need for more saving and risk-bearing to aid economic growth under prospective conditions creates added reasons for shifting to an expenditures tax. Although some persons would accumulate wealth more rapidly than today, the inequality would not be desirable because the increase in fortunes would finance economic growth; if the owner tried to enjoy his wealth by consumption, he would then pay tax; if he held it till death, death taxes could be counted upon to do the desired "leveling."

How would Kaldor propose to have the tax operate? He rejects Fisher's method (cash on hand at the beginning of the year plus money received from all sources minus cash on hand at the end of the year, purchases of assets, and repayment of debt). He would require the taxpayer to report his spending as such. Purchases of durable consumer goods could be averaged over a period of years; for housing he would include in spending the rental value of owner-occupied dwellings, using essentially the same method (but not the antiquated base) now used for British income tax. The tax would be on a per capita basis, though each child would be treated as a fraction of an adult; the exemption woluld be £750. His proposals for treating gifts and for numerous aspects of administration are perhaps well adapted to British conditions. To avoid astronomical rates, he proposes that the base be gross expenditure (before deduction of the expenditure tax). In "A Plea for Moderation" he urges that the highest rate not exceed 300 per cent, a substantially lower burden than the present top surtax on income which corresponds to a levy of 1,000 per cent on spending.

As a "tract for reform" this is useful. It deals rationally, but not colorlessly, with an important problem. It seems to draw upon evidence as fully as possible. The level of analysis is high. I find points of disagreement—for example, I am doubtful that any government will impose death taxes that with a reasonable degree of fairness will do the job of taxing wealth on the progressive basis Kaldor envisages. Anyone seriously concerned with problems of taxation at the national level will find this volume worth study. Those of us who are concerned with the various effects of extremely high income tax rates—including the pressures for widening loopholes—must consider seriously the proposal to replace the present top rates on (some) income (defined as accrual to economic power) by a progressive tax on consumption above some high levels.

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Public Finance and Economic Welfare. By KENYON E. POOLE. New York: Rinehart, 1956. Pp. xvi+640. $6.50.

This is a new text in public finance to which most of the right adjectives can be applied. It is thorough, objective, readable, and well organized.

It is the author's intention to focus on the welfare aspects of public finance, by which he means not only "the direct and immediate effects of fiscal measures on the relative satisfactions of individuals and groups in the national economy but also . . . the cyclical and long-term growth implications as well." While he has succeeded in integrating the more recent developments in fiscal policy theory with the traditional mass of information relative to governmental revenues and expenditures, the book is not a revolutionary or radical departure from its predecessors in the field. No one will have difficulty in recognizing it as a standard public finance text.

The introductory chapters review the growth and trends of public finance at the different levels of government. These are set against a background of welfare effects that tends to make the subject appear meaningful and interesting. The second section, on revenues, presents in more or less the usual way standard material on shifting and incidence and the characteristics and theoretical and administrative problems of taxes on personal and corporate incomes, consumption, property, estates, inheritance, and gifts. This section ends with a chapter on intergovernmental relations.

The third section brings together the material on fiscal policy and economic stability. This section runs to 167 pages and six chapters. It assumes little economic background on the part of the reader, and reviews monetary and banking institutions, the quantity theory, and the other tools of the analysis.

The "left-over" topics make up the last section: social security, debt management, and the role of public finance in economic growth.

Those who prefer textbooks to take sides or positions may be disappointed in Professor Poole's lack of dogmatism. He tends to describe problems and not to voice preferences for particular solutions. There is often an "ideal" solution but it is made difficult by "practical" considerations. The ideal definition of taxable income seems to be "net accretion of wealth, taking account of consumption" but administrative difficulties argue against it, although it would also help solve the problem of taxing capital gains. A federal sales tax would be "a backward step with respect to the progression of the tax system as a whole" but substantial new revenue might make it preferable to increases in existing tax rates, since all taxes have disadvantages. "Ideally, forests ought to be taxed solely by means of a yield tax," but this too is hard to accomplish.