

Books: A Businessman Worries in Public

By Grace Isabel Colbron

There would be little excuse for giving C. William Hazelett's "I. T.: Incentive Taxation" (E. P. Dutton & Co., New York, \$1), with its sadly muddled reasoning, space in this journal were it not for its evident sincerity as an effort by an average business man to get at the fundamental cause of his troubles and worries.

For although the solution at which Mr. Hazelett's thinking has arrived seems oddly contradictory, it is interesting and valuable to a worker in the field of economics to follow the roundabout course of that thinking. In this simply and sincerely written essay there is sketched the troubled average man, trying to fill his place in the business world honestly and capably in spite of the economic difficulties which pile up against him.

Mr. Hazelett is not content with blowing off steam about the multiplying hindrances to honest endeavor, about the drag of depression and poor business at most times; he wants to know why such things should be. But his understanding of what these conditions are which oppress him is clearer than that of how these conditions arise.

He sees the harm of those strikes which instead of helping labor only injure the workers. He sees the danger of continuing governmental relief for the unemployed as an alternative to constructive measures. He sees the menace of monetary inflation and its attendant economic consequences.

He sees the evil of "an immense number of complicated taxes" which only burden, harass and create uncertainty among producers. He sees the widespread tragedy of recurrent depression and the way in which it throws the economic machine out of gear. Defining liberty in the most general terms ("True personal liberty is Freedom"), he nevertheless draws, with excellent insight, these corollaries:

Freedom to work in the field where we feel that we can serve best or to which our talents are best suited. Freedom to enjoy the fruits of our labor.

Freedom to purchase or exchange what we produce for what we desire. Freedom to do as much work as we wish so that we may increase our wealth in proportion to the service we perform. Freedom from fear for our future economic security.

This is no mere business man's credo. The worker, the professional man, the artist, all would add to this a hearty amen. But all, and especially the worker, would understand that the "hindrances" of which Mr. Hazelett has vague awareness frustrate realization of these ideal conditions today and will continue to do so until they are removed by measures of social reconstruction permitting the birth of the free society.

But Mr. Hazelett, with the naivete of too many business men, sees the obstacle to efficient production as something which can be argued out of existence like the strikes, which, for the moment, hamper industry. The cause of depressions he identifies as a "strike of money," a stoppage of industry when prices are not what the producer desires them to be. In his mind, the trouble arises from a voluntary holding back of the full use of "productive facilities" to get higher prices.

Failing to explore the fundamental conditions which cause both capital and labor to "strike," he offers as a remedy a form of "incentive taxation" which, he proposes, shall decrease the tax rate as production goes up and increase the tax rate as production decreases." He says:

Incentive taxation shall be too expensive for anyone to take his productive assets out of production entirely, and the decrease in tax rates shall be sufficient to make it more profitable to operate at a maximum capacity.

Thus this average business man fails to see that if business is forced by the tax measure to operate even if prices do not cover costs, it is thereby forced to commit suicide. While if the difference in the tax burden represents the difference between

a sound and an unsound price-cost relationship, he is pleading for a tax subsidy for business.

If he studied more intensively the effects of taxation on production he would see that there is but one factor in production, land, on which increased taxation to its economic level increases production; or, to be more exact, on which increased taxation to its full tolerance tends to bring about the most efficient use. But land, to him, means apparently only agricultural land; and rents mean what are paid for living or working quarters. The lack of clear perception of the basis of his problem is, alas, only too typical of the modern business man.