

The Machinery of Public Finance

A brief and readable account of the financial system of the United Kingdom is given in *State Finance* by R. J. Mitchell (Pitmans, 2s. 6d.). The means by which Parliament maintains its control over finance and the procedure with regard to Estimates, the Finance Bill, accountancy and audit are clearly explained. As Viscount Snowden says in his introduction, "the newspaper reader is constantly coming across such terms as the Consolidated Fund, the Appropriation Bill, Ways and Means, Funded and Unfunded Debt, Treasury Bills, Exchequer Bonds and Appropriations-in-Aid. It will add interest to the reading of Finance Debates to understand what is meant by these terms." Mr Mitchell's book gives the explanation which is needed.

The one weak spot is the last chapter, dealing with the principles of taxation. One cannot agree that "the United Kingdom made a great step forward" in the "setting up of the Import Duties Advisory Committee." The whole policy of tariffs is economically and morally wrong. The device of tariff boards is merely an attempt to lend respectability to the introduction of protectionism. If the members of such boards were convinced free traders and were free to exercise an unfettered judgment, they could only reject every application for protection of any industry. In order that the system may work the members must either have an initial bias in favour of tariffs or else they must be bound down by regulations which prevent them from having a perfectly free discretion.

Mr Mitchell says that a good system of taxation should conform to Adam Smith's four canons. The first one he interprets to mean "equality of sacrifice." What Adam Smith does say is that the subjects ought to contribute "in proportion to the revenue which they respectively enjoy under the protection of the State." Elsewhere, in dealing with a tax on ground rents, he says: "Ground rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the Sovereign." He concludes that they should be taxed peculiarly.

No discussion of the canons of taxation can be adequate that ignores the examination of the subject made by Henry George in *Progress and Poverty*.

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