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Book Reviews

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Book Reviews

THEORY AND PRACTICE OF MODERN TAXATION, by W. R. GREEN.
Commerce Clearing House. 266 pages. 1933.

The author of *Theory and Practice of Modern Taxation* seems to think that the present federal income-tax law was born in heaven. Almost at the very beginning of the book it is said that during the life of Adam Smith "in imposing taxation the principal question . . . seemed to be merely whether the tax would bring the desired revenue and not provoke the resentment of the wealthy and powerful," and that "it is only in comparatively recent years that taxes have been considered from a *scientific* standpoint by the authorities which imposed the taxes."

In political matters not the wealthy but the many not-wealthy are now the powerful; the incidence of taxation has moved conversely with political power and still bears most heavily on the (politically) most defenseless class. Is opportunism, then, a science?

Individual persons paying income tax in 1929 were less than two per cent. of the total population. The author (page 73) says that if the tax were collected on all incomes the irritation and aggravation caused by its necessary requirements would make it the most hated tax ever imposed. There is no reason to think that the tax is less hated by those who do pay it—rather they hate it the more because they are a selected few to be taxed.

Apart from his infatuation for the United States income-tax law Judge Green has produced a short history and review of American and European non-local taxes that is remarkably clear, instructive and thorough, written in a style that is read with comfort, at least by those who do not worry about a few split infinitives. The excellent typography adds to the pleasure of reading.

The author believes that income taxes can be so imposed that they will be borne permanently by the direct taxpayer; that the "income tax is one that is shifted, if at all, only in very exceptional cases." Yet corporation reports almost universally state profits "after depreciation, taxes and other fixed charges."

On page 80 is to be found the statement that the "great bulk of the taxable incomes of the United States and Great Britain comes from dividends on corporation stock and interest on bonds and other securities issued by corporations." United States treasury *Statistics of Income* for 1929, the latest year available, gives for the year 1929 total taxed income \$29,946,952,209 of which \$4,786,000,000 was dividends and \$2,210,000,000 was interest of all kinds and miscellaneous income. This, in 1929 when dividends amounted to something; in 1933 the comparison would be still further from the condition imagined by Judge Green.

Besides the income tax the author discusses excess-profit, sales, corporation, capital-gain, customs and inheritance taxes and the evasions and avoidances of each. The author disapproves of the taxpayer who takes advantage of legal rights which are not supported by equitable rights, but has no condemnation for parallel action by the federal government. He does not approve of excess-profit taxes except in time of distress, but he does approve of graduated taxes on

personal incomes. Sales taxes are not wholly approved or disapproved. Taxes on capital gains are not only approved but the imposition on them of a rate of tax higher than that on other income is suggested. The gift tax is approved. Consolidation of corporate accounts for taxation is strongly disapproved; it is contended that this has greatly reduced the revenues and complicated the application of the law, and that there are many serious objections to it and there is little that can be said in its favor.

Following the discussion of American tax laws, chapters on British and French tax laws are given. In comparing American with British income-tax laws emphasis is laid on the superior honesty of British taxpayers and tax gatherers, so that although the British law is said to be far inferior to ours its administration is said to be more economical, more free from scandals and lawsuits and less inquisitorial. The resentment of intrusion into his private affairs by a Britisher is said to have no counterpart in this country; but, if it be true that we as a nation do not resent government inquisition into private affairs as much as any other nation we must have changed sadly.

Only American and European practice is considered; a bright light on the effect on tax collection of business and government honesty might have been thrown by the methods of the Japanese. Prior to the war the tax on industry—the "eigyo zei"—was a tax intended to charge to each establishment an amount covering the cost of government service rendered, profit or loss being ignored. Each was to pay for what he got, no more. For this purpose the tax gatherer visited each place of business and in conference with the taxpayer fixed a tax, based on floor space occupied, amount of business done at home and abroad, number of employees, payroll and some other factors, including a factor for the kind of business conducted, the tax so fixed being a maximum, conclusive on the government but appealable by the taxpayer. There were few appeals; there was no fear or suspicion of collusion between tax gatherers and taxpayers. Disputed hangovers, such as we are used to, did not occur, and there was no possibility that the government would, after years, suddenly decide to demand more tax. Of course, collection in those circumstances was economical.

Upon the whole this book is a well written popular history and review of American and European national taxes, finding a verdict that the American federal tax laws are the best of all laws, and, if they do not work out—well, it is because of the depravity of taxpayers and the incompetence of tax collectors.

F. W. THORNTON

MONEY AND BANKING, by FREDERICK A. BRADFORD. *Longmans, Green & Co.*, New York. 534 pages. 1934.

The economic series of Longmans, Green & Co. contained two books, *Money* and *Banking*; now these two books, each still complete by itself, are issued bound together in one cover. The work has been carried up to early 1933, but not up to the beginning of the debasement of our currency.

MONEY:

Professor Bradford is an economic conservative; he still believes in ordinary honesty. He says of legal tender that it is a right extended by law to certain types of money which makes such money valid in the payment of debts *provided there is no agreement or contract to the contrary.*

After some very clear chapters on the uses of money there is given (page 200) consideration to Carl Snyder's index of the general price trend, going back to 1887, published by the federal reserve bank of New York. The chart of Snyder makes it clear that from 1887 the price level advanced steadily up to the war. Taking 75 as the 1887 index, it rose to 100 in 1915 and then swelled to 175 in 1926, which was very far above the normal progressive increase to be expected from prior experience. We are still far above a normal price range.

The book was primarily a college text-book and so devoted attention to statements of fact and of the several theories that have had some acceptance rather than to advancement of any specific theory. All are given fair consideration. One who reads can scarcely avoid a growing feeling that he could trust Professor Bradford out of sight with a five-dollar bill, perhaps even with a five-dollar gold piece.

The matter for study covers the field adequately and there are excellent bibliographical notes with valuable comment on the relative importance of study of the books mentioned.

The wrapper says that the chapters are followed by bibliographical notes and sets of questions. The notes are there but not the questions. Probably the questions are omitted because this edition is for general use and not especially for students. The misstatement is the publishers and not that of the author.

I think this a text-book to be recommended—highly recommended.

BANKING:

Criticism of opinions and conclusions as to technical banking given in a text-book should emanate from a practical banker. It may safely be said that the style and fullness of detail and the detached attitude of mind of the author are the same as in the case of the book *Money*. There is an excellent history of banking up to early 1933, and comments on the banking situations made by recognized authorities are freely cited. The author continues to give the same impression of clear, honest thinking that marks the first section of the volume.

So far as it may be permissible for a non-banker to give any verdict I should award the book Grade A.

F. W. THORNTON

FINANCIAL HANDBOOK—second edition—by ROBERT H. MONTGOMERY.

The Ronald Press Co., New York. 1,628 pages. 1933.

Reviewing a book such as the second edition of *Financial Handbook* is not a task to be undertaken lightly. On the other hand it is something which it is physically impossible to do thoroughly and completely. Naturally much the same ground is covered in the second edition as was covered by the first, but it is covered a little differently and several new topics have been discussed. In all the twenty-nine sections of the second edition, there is not one on which the accountant can afford to be ill-informed. In fact a general survey of the book gives the impression that the dividing line between finance and accountancy is so vague as to be almost indistinguishable. One of the most notable sections is No. 18 "Banking organization and practices,"

particularly for its clear and comprehensive historical statement of the basis of the various types of money composing the circulating medium of the United States. While the editors can not tell us, any more than anyone else can, where we are going, they at least give a good description of the place we have left and give us landmarks to tell how far we have departed from our old basis. This is done in the course of a few pages where most authors would need to write a good sized book.

Another interesting section is No. 4 "Working capital management." Here it would seem that *Financial Handbook* is far ahead of most accounting writing on this subject. The editors are under no illusions as to the availability of current assets for purposes other than those of the business and they do not recognize the mortuary point of view of the average banker. It is refreshing to see that the editors agree that current assets are not periodically liquidated and replaced but that the same investment in current assets keeps circulating through the business in a continuous cycle. Every intelligent business man has known this for many years, but it has not often been stated and, even then, seldom so clearly as in this second edition of *Financial Handbook*.

While the titles of many of the sections have been altered and the sections have been arranged in what seems to be a more logical order, there does not appear to be anything of importance in the first edition which is not treated in the second. Although several new topics are discussed in the second edition, the size has actually been reduced, the second section containing 1,628 pages as against 1,757 in the first.

It is quite probable that one could prepare a much better review of this book a year from now than at the present time, as by that time he will have consulted the book frequently as particular points arise where such an authority is needed. It is obvious that anything like a full review of a monumental work of reference such as this would be difficult to write and probably impossible to read. It is hoped, however, that this brief result of some random dippings into the book will convince the average practising accountant, as well as corporation officers having to do with financial matters, that they can hardly afford to be without the second edition of *Financial Handbook*.

MAURICE E. PELOUBET

PROCEEDINGS OF THE INTERNATIONAL CONGRESS ON ACCOUNTING, LONDON, 1933, *Gee & Co.*, London. 747 pages.

The international congress on accounting, held in London from the 17th to 21st of July, 1933, was distinguished by two outstanding characteristics. To those who attended the meeting the extremely elaborate arrangements which had been made for the entertainment of visitors was peculiarly noteworthy. The other important characteristic was the general excellence of the papers which were presented. This, of course, is the principal accomplishment of the congress so far as the world of accountancy is concerned. At all such meetings there is a tendency to be too liberal in the provision of technical addresses, and if there be any adverse criticism to be offered of the recent meeting in London it would be that there were so many papers and all of them of such importance that no one could possibly absorb the full import

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of all of them at the time of the meeting. Probably very few delegates listened to every discussion, but even if they had done so there would still be the necessity of making a compilation of the addresses and the principal discussions and publishing it in permanent form as a book of reference. The proceedings of the London meeting have now appeared in book form, printed by Gee & Co., of London. The volume consists of 747 pages and it is, of course, well produced. It is not the kind of work which lends itself to analytical review. One might almost as readily attempt to analyze the *Encyclopædia Britannica*. However, it is an essential book in the literature of accountancy and should be on the shelf of every public accountant, cost accountant and in the accounting department of every company.

It is interesting to note that 49 societies of accountants accepted invitations to the congress, appointing 90 delegates, and there were in addition 79 visitors outside the British Isles. Twenty-two countries were represented.

A. P. R.