

BOOK REVIEWS

FINANCING THE WAR. Symposium conducted by the Tax Institute. Tax Institute, Philadelphia, 1942. Pp. ix, 357. Price: \$2.50.

To achieve maximum production of goods for war and maintain the civilian economy it is obvious that an integrated plan which includes high rates of taxation, a closed capital market, control of prices, wages and profit with their concomitant rationing of goods and services and a curtailment of non-war activities must be formulated and followed. To find the place of each of these economic controls in our war economy the Tax Institute held a Symposium last December and has now performed a meritorious service by publishing those lectures. Written before the entry of the United States into the war, these lectures present a forecast of things already experienced and of things to come and merit the study of everyone having any connection with our economic system.

Robert Warren of the Institute for Advanced Study and Homer Jones, Assistant Chief, Division of Research and Statistics, Federal Deposit Insurance Corporation, review the function of war finance and the implication of fiscal policy. Mr. Warren points out that a war economy denies the price system as the instrument for distributing the national income and substitutes planned distribution by the persons having power over the economic controls; that war finance is fiscal policy amplified by a set of controls and that up to last December those controls had not been too necessary because only surplus national income had been used for war purposes and as that point was passed, more and more control of all our economy was necessary. Mr. Jones sets out clearly the choice which must be made between high taxes and strict rationing. Rationing imports the essential abandonment of private business and the substitution of a planned economy operated by the government. It brings bureaucracy, dictation as to consumption and where to work, reduced efficiency, and makes more difficult the transition after the war to a free economy. His vote is for higher taxes to take up purchasing power and make rationing unnecessary.

After a review of the effect of the excess profits tax on business practices, comes a series of lectures on how inflation may be controlled through fiscal policies. The common thought throughout is that any tax which takes up purchasing power or diverts resources to the war effort should be used and used at once. Denzel C. Cline, of the Department of Economics, Michigan State College, argues that selected excise taxes can divert resources to the war effort more effectively than a general sales tax, whereas Simeon E. Leland of the University of Chicago points out that a sales tax may be used to direct the flow of commodities and has a useful place in our tax system in time of rising prices, but an income tax must be the instrument to reduce purchasing power and that frequent collection, withholding at the source and reduced exemptions must be used to accomplish that purpose.

Harley L. Lutz of Princeton University presents the case for a gross income tax collected at the source as the most effective way to prevent inflation and pay for the war. Mr. Lutz also proposes that tax on 1941 incomes be forgiven and amount paid in taxes in 1942 be credited against taxes due on 1942 income. This plan certainly has merit and Mr. Lutz now proposes to have the same plan adopted for years 1942 and 1943. There can be no doubt of the fact that a gross income tax will meet many of the needs of our economy and serious study should be given it to iron out the hardships which might result in certain cases.

Forced loans and borrowing are discussed by Albert Gailord Hart of Iowa State College, Charles Cortez Abbott of the Graduate School of Business Administration, Harvard University, and E. Gordon Keith, Wharton School of Finance and Commerce, University of Pennsylvania. Mr. Hart rightly points out that taxation is a better method of financing the war than forced loans but politically forced loans are more feasible, and if used the obligation of the government should be nonnegotiable and nonredeemable. Mr. Abbott sets out the dangers of further sales of bonds to commercial banks and proposes a scheme to raise at least \$5,500,000,000 per year. Here is the plan:

"The proposal is as follows: All creditors under existing contracts and under all future contracts made during the emergency, where the individual debt amounts to \$300 or more, shall be required by law, as they receive repayments, to set aside a stipulated portion of each payment, say 20 per cent. The creditor shall further be required to invest this stipulated portion in government bonds; such bonds shall be registered or otherwise placed in the name of the debtor. The debtor shall then be required to place these bonds in escrow for the benefit of the creditor until such time as his total debt to the creditor shall have been satisfied in full. The debt which is owed to the creditor will be reduced under this proposal, not by the total payment that the debtor makes to the creditor, but only by that portion of the payment which the creditor is *not* required to invest in government bonds—in the example used here, by 80 per cent of each payment."

The remainder of the book deals with adjustments to ease the impact of defense taxes, the experience of Great Britain and Canada with war finance and a study of place of all tariffs in the post-war world.

This book is particularly important in pointing out the many facets of the problems involved in war finance in the control of our economy. The problem cannot be tackled singly: price ceilings without overall rationing or substantial reduction in purchasing power is futile; wage ceilings without rationing of labor is futile.

The conclusion from all of the studies is inescapable, that only by placing all of these controls in the hands of one board with full power to administer them instead of allowing the present scattered activities of many agencies to continue can we prevent economic disaster.

Kenneth W. Gemmill.†

PERSONAL ESTATE PLANNING IN A CHANGING WORLD. By René Wormser. Simon and Schuster, New York, 1942. Pp. xxii, 311. Price: \$2.50.

A specialist in the field of estate planning, this well known member of the New York Bar now offers a complete explanation of the many problems involved in personal estate planning in a changing world.¹ With an eye on the future he examines the many available devices for preserving and passing on one's personal estate in fact. With candor an experienced lawyer advises the best course to follow in each of the many possible fact situations. And with an attempted simplicity the book is written for the use of laymen. And so it is not a textbook on estate planning, but a book to instruct and prepare a client for an intelligent approach to the subject,²

† Member of the Philadelphia Bar.

1. Thus the author adds to his, *YOUR WILL AND WHAT NOT TO DO ABOUT IT* (1937).

2. "Much of the subject is so technical that it must be left to your attorney, who is the ultimate architect or builder of your project." Preface, page xiv.

to crystallize his ideas into some form or plan. And thus is filled a gaping hole in the lawyer-client relationship. The lawyer will not have to waste hours of his valuable time in explaining what his client might have learned beforehand from such a book as this. The subject matter alone is enough then to make this book a "must" for those who have a personal estate.

With a division into seven parts, the book opens with a general discussion of estate planning, a short sketch of the background of present conditions and the consequent importance for an intelligent approach in the formation of an estate plan. Then follows a brief outline of the necessity for a coordinated, "continuous but fluid", flexible, liquid plan which should be worked out with a foreknowledge of the possible and sometimes inevitable shrinkage in estates, caused variously by inflation, taxation, insecure investment, and business risk with particular stress on the problems and effects of taxes. Part two is devoted to an elaboration on a suggested method of "analyzing your own circumstances—to avoid a haphazard and confusing approach".³ The planner is advised to consider in order who his beneficiaries are to be, why or for what purpose, when the benefactions shall take effect, what his property consists of, and what mechanisms are best suited to carry out the purposes of the plan. This method may seem rather obvious, but then again may tend to a more ordered, more complete plan. Throughout the book check lists are added to aid the planner.

Part three includes a more detailed analysis of objectives and devices appropriate thereto. Consecutively separate chapters are devoted to planning for a spouse, children, future generations, parents, collateral dependents, and last but not least, charities. These are followed by particularly valuable chapters on the planning of a business through charities, and on planning for real estate. This part is then rounded out by a number of chapters on the problems of investment theory and practice, of investment counsel and excellent advice as to who and what devices are most appropriate, and the various considerations to be given to the selection of executors and trustees.

In the next part the law of wills is explained in simple terms. Numerous hints and advice on the practical as well as legal aspects are added. And the relationship of your will to your personal estate plan is worked out in detail. Then having left the reader with a discussion of testamentary trusts, the author devotes part five to an explanation and examination of the living trust. Then follows a complete but brief analysis of life insurance and annuities and the relation of each to estate planning.

Part seven takes up once more, but now in detail, the "necessity of planning for death taxes, and of ways and means of saving both estate and income taxes."⁴ And this is done from the very practical point of view of not sacrificing the objectives, the liquidity, or flexibility of your estate plan because of a narrow minded determination to evade taxes regardless of consequences. The work is then completed by the addition of three appendices: A) a brief description of the administration of an estate; B) an excellent discussion of the farm "as a social and economic hedge"; and C) a complete collection of the check lists added in various parts of the text.

In essence the book is sound. The advice when given, is practical, down to earth; the author faces the facts of the future. And his opinions when ventured, are frank and honest. As an example, he advises against leaving the principal of an insurance policy with the company. And this because they may not be able to hedge against inflation as well as an individual investor, thus violating the cardinal principle of liquidity in personal

3. Page 19.

4. Page 229.

estates.⁵ Finally the subject matter is kept within the limits of a layman's understanding. Thus when the subject gets too technical, as in the case of taxation or "Conflict of Laws",⁶ the author gives a simple explanation of the general problems involved which anyone can understand and advises consultation of a technical expert, the lawyer.

Throughout the book the author repeats again and again, directly and by example, the crying need for *liquidity* and *flexibility* in a personal estate plan. The reader cannot finish the book without being impressed with the importance of abiding by these guiding principles, and this at the risk of adverse criticism for being too repetitious. The obvious importance of his emphasis, however, forbids anything but praise.

On the other hand a repetitious style of writing is not to be commended. All through the book the reader senses a slight redundancy not only of ideas which do not need repeating but also of verbiage. With time at a premium today, a concise, brief style of expression seems all important. In addition to this a number of trite comments on obvious points of humour might well have been left out.⁷ However, aside from these criticisms, the author has achieved a sufficiently direct mode of expression for the understanding of laymen. A valuable glossary of definitions of technical terms is given at the beginning of the book.⁸ And a carefully planned organization and breakdown of material into seven parts and numerous chapters as sub-divisions, all well-labelled, adds to the necessary simplicity.

On the cover the author suggests that the best way to plan a personal estate for the future is to invest in War Bonds today. I agree.

Jean P. J. Baltzell.†

BOOK NOTE

GEOPOLITIK—DOCTRINE OF NATIONAL SELF-SUFFICIENCY AND EMPIRE.

By Johannes Mattern. The Johns Hopkins University Studies in Historical and Political Science, Series LX, Number 2, Baltimore, 1942. Pp. 139. Price: \$1.50.

Those who live by the law will find in this analysis of New Order imperialism the basis of its fundamental challenge to all jurisprudence, the subordination of the State's legal aspect to its ethnical, social, economic, and, above all else, its geographical content. Developed from the Swedish scientist Kjellen's "new science of states," which was itself an outgrowth of the German geographer Ratzel's "seven laws of the growth of states", this concept has found modern expression in the works of National Socialism's German apologists Hennig, Haushofer, and their lesser satellites. It is the rationale of Nazism, the philosophical basis of the cry for *Lebensraum*.

This scholarly yet highly readable work traces the origins of Geopolitik as an abstract science, its development of new terminology to conceal the ancient machinery of imperialism which gives it life, its adoption as the basis of the new political science, and its ascendancy as the masters of the New Order found it adapted to their plans of conquest. Lacking the superficiality of popular treatments, and the esoteric technicalities of the more extensive treatises, it provides a working guide to the new science which supports the Nazi ideology, the realm in which geography is the master of human destiny and the law its handmaiden. J. S.

5. Pages 124, 222.

6. Pages 108, 151.

7. For example, see page 155.

8. Preface, page xvii.

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