

sioners of providence, made to be coddled, petted and amused, but responsible beings, charged with the same creative energy which set the planets whirling, the young men of 1917 are condemned to earn their peace of mind by unceasing struggle. Theirs are to be great sorrows and great adventures, theirs stony beds and sight of the morning sun, theirs deliverance from safety and monotony. This they are to receive—and pay for.

No wonder the Victorian cannot understand them, nor they him. He seems far away and dim, a figure in the fog with an umbrella. They would be more at home with the men of Shakespere's England or the French of Peter the Hermit, though their crusading paths are whiter with young men's bones than ever Peter's were, and their books are written in blood.

R. L. DUFFUS.

Conscription of Income Once More

THE policy of meeting the costs of the war mainly by means of taxation during its progress, outlined in *The New Republic* of February 24th, 1917, has received the approval of a very large number of economists throughout the country. The position which they have taken found expression shortly after the declaration of war in a memorial to Congress in which they urged the immediate imposition of heavy taxation, especially on incomes and excess profits. It is significant, however, that two economists, Professor Seligman of Columbia and Professor Bullock of Harvard, are strongly opposed to this policy.

In matters relating to policies of permanent taxation most of the economists of the country would readily admit the superior competence of these distinguished experts. If, then, the ordinary economist has not been greatly impressed by the views which they have expressed on war finance, the reason is not far to seek. The financing of the present war is a matter regarding which no one can pretend to possess the knowledge and authority of an expert. It is the function of the expert to apply knowledge acquired from past experience to situations which are not very unlike those from which that experience was derived. But the requirements of the present war are so unprecedentedly large and various that those considerations, which would be decisive in shaping a taxation policy in time of peace or during a war in which a slight part of the economic forces of a community is engaged, lose much of their force and may be positively misleading when applied to the present situation.

In formulating a wise policy of war finance, it is first of all necessary to gain a clear understanding of the vast changes which must be made in the economic activities of the country if the war is to be prosecuted effectively. Both Professor Seligman and Professor Bullock have failed to analyze the nature and extent of these changes, and conse-

quently it is not surprising that they hold that onerous taxation imposed at the outset of the war will have disastrous consequences. With little or no qualification they apply to war finance the tests which they have been accustomed to apply, and properly, to proposals for permanent taxation in times of peace. Thus, Professor Bullock observes at the end of an article in the June issue of the *North American Review*: "In an emergency like this we can rely to a certain extent upon patriotism and to a certain extent upon the penalties of the law. But nothing except the prospect of profit will call forth that degree of enterprise and efficiency which is necessary if private revenues are to be large and both public and private wants are to be fully supplied."

Professor Seligman in widely circulated pamphlets bids us beware of attempting to raise more than \$1,500,000,000 by taxes during the current year, and advises only \$1,250,000,000. He fears that heavy taxes on consumption will cause popular resentment, that taxes on industry will dampen the spirit of enterprise, and is also alarmed lest heavy taxes on income may deplete the surplus available for investments, cause a diminution in educational and other philanthropic benevolences, and diminish our ability to endure heavy taxation later on.

These objections to onerous war taxation imply distrust of the spirit of the people and are entirely unsupported by proof drawn from the experience of nations at war. Nothing surely can be more groundless than the fear that consumption taxes will occasion popular resentment. A people which at the beginning of the war has adopted the selective draft can be relied upon to face some deprivation of comforts and luxuries. Readiness to make sacrifices on account of the war is everywhere manifest. There can be no more opportune moment for the imposition of an adequate measure of taxation. Popular resentment among those with small incomes to whom consumption taxes would

be burdensome is only to be feared in the event of a failure to impose taxes which will call for a positive sacrifice from those in receipt of large incomes and especially from those who reap large profits during the war. But at this point we are warned by our professorial experts that to attempt this will dampen the spirit of enterprise and work against the continuance of a high degree of efficiency in the conduct of business. Enterprise and efficiency in the conduct of the economic activities of the country we must have if the war is to be carried to a successful conclusion. But as regards enterprise it is not to be assumed that more of this quality is needed than in times of peace, and it is certain that unlimited profits and light income taxes will work positively against the realization of maximum industrial efficiency.

During the next twelve months it is estimated that the government will expend, on its own account and that of our Allies, something like ten billions of dollars. This is a sum which vastly exceeds the normal savings made year by year within the country. Only as a result of abnormal economy in consumption on the part of the people generally will it be forthcoming. Evidently then there will be no appreciable amount of capital available for new investments during the war, except in those industries an increase in the products of which is indispensable for military purposes. We must perforce rely mainly upon existing plant and equipment, which so far as possible must be utilized in the production of military supplies. The development of undertakings such as hydro-electric enterprises, which require much capital, must come to a complete standstill. But it is precisely in connection with undertakings of this character that the spirit of enterprise and readiness to assume risks for the sake of large business profits are most essential.

For making effective use of capital already invested administrative ability of a high order rather than enterprise is the primary requirement, and in securing the services of men possessing such ability, unlimited profits during the war are not indispensable. Even in times of peace much of the best administrative work is performed by salaried officials of corporations. Moreover, those engaged in business on their own account, even though profits are heavily taxed, will still have adequate inducements to maintain the highest possible degree of efficiency in the conduct of their affairs. Each business man will be concerned to keep his organization in good working order, so that it may be in shape to take advantage of the opportunities for profitable business which will come with the return of peace. The effects of heavy temporary taxes during a war, it may be repeated, are quite

dissimilar from those which follow the imposition of heavy permanent taxation.

Industrial efficiency, it is also to be noted, does not depend upon the management alone. Already workmen are being asked to work longer hours and to sacrifice arrangements which they consider of vital importance. Is it reasonable to expect the workman to make these concessions, when he hears the doctrine preached and perhaps put into effect in legislation, that the only means of securing efficient management is to refrain from imposing heavy taxes upon those in receipt of large incomes and huge business profits? Consumption taxes, income and excess profit taxes, service in the armies and strenuous labor by workmen, are all various forms of sacrifice which will aid in the one common object of winning the war. Each particular sacrifice will be more easy if the other burdens are not being evaded.

The policy of heavy war taxation has been termed the conscription of income. This expression does not imply a sacrifice which is the equivalent of that made by those who are drawn for military service. Military service is one obligation of the citizen. The phrase "conscription of income" calls attention to another obligation—the obligation to finance war, so far as may be, by the sacrifice of income and, as in the case of military service, without hope of reward.

Conscription of men is a wise policy because it is the most certain method of securing an adequate number of men for military service with the least disturbance of the industrial activities of the country. An analogous advantage may be derived from the conscription of income. It will greatly facilitate the transfer of labor and capital to those uses which are of most importance for the successful prosecution of the war. Much additional labor, for example, has been and is still needed in agriculture. There is an abnormally large demand for food products, and we can not safely rely upon the ordinary working out of competitive force to secure the production of adequate supplies. The pull of the intense urban demand for labor is too strong to be overcome by the demand from the farms. Taxation sufficiently heavy to reduce sharply the demand for comforts and luxuries, most of which are produced in the cities, would set free labor which would then become available for agriculture and the production of military supplies. Conscription of income would greatly facilitate the mobilization of the country for war. This is the positive and fundamental reason for the immediate adoption of the policy of drastic taxation, in other words, for the conscription of income.

OLIVER M. W. SPRAGUE.

Wooden Ships

THERE is positively no component part of a wooden steamship that has failed to supply an argument in recent months as to the impracticability of building a thousand wooden ships. The most crushing argument applies to the wooden ship as a whole. If the wooden ship is slow, is it not simple madness to feed one after another into the jaws of the U-boat? But aside from this scornful inquiry, there are a hundred others brought up to reveal the utter futility of discussing wooden ship construction at the present time.

The fact that General Goethals has already made contracts for wooden ships of both the Hough and the Ferris designs, and that 250 vessels of this character are believed to be scheduled by the General, does not in the least retard destructive criticism. One man will tell you that wooden ships would be all right if you could caulk them, but there are not enough caulkers to be found in the United States, and the result will be the inevitable leaking of every wooden ship that is launched, and its early descent somewhere about mid-Atlantic to a watery grave. Another man will ignore caulking, but will speak tragically of engines. There are too few engines in the United States. Another man will pay no attention to the number of engines but will ask with great earnestness, "Won't the engines rack wooden ships all to pieces in no time?" The feeling that people have about wooden railroad cars as compared with steel railroad cars, or wooden houses as compared with stone houses, or wooden spoons as compared with metal spoons, seems to be carried unfailingly over to the appraisal of wooden ships, and the scheme for a thousand wooden ships meets with consequent frowns of hesitation, doubt and disapproval.

Considering the novelty of the project itself, let alone its nature, there are few people in this country or in England who are entitled to speak with authority on it. Certainly no reporter's word is good for anything except the accuracy and perhaps the cogency of his own reports. But there is plenty of valuable testimony already at hand to cancel the wilder and vaguer surmises about wooden ships, to answer some of the more stupid assertions, and to narrow the controversy to questions mainly of policy and judgment.

When the clash came early in June between General Goethals, representing the conservative disposition toward wooden ship construction, and Messrs. Eustis and Clark, representing the san-

guine disposition, there was no talk whatever about the general practicability of building a number of wooden ships. Mr. Eustis, then General Goethals's assistant, announced that the Corporation had formal offers from ten contractors who wanted to build wooden ships or hulls, the total number to be undertaken being 786, 496 of them to be delivered within a year, the balance within six months more. The biggest of these contractors were not shipbuilders, but they were building contractors that had gone into the questions of lumber supply, the seasoning of timber, the availability of labor, and had sufficiently satisfied themselves on these primary points to be "ready to put up a bond to make good their offer to obtain hulls for this Hough design next November." The points at issue between General Goethals and Messrs. Eustis and Clark did not include such elemental matters as the resources of the country in lumber or the available supply of labor. General Goethals was content to assert the insufficiency of funds during the period when he was supposed to have been dilatory; to put forward his case for the lump sum basis of contract as against the "cost plus 10 per cent" sought by the contractors; and to declare his unwillingness, "in view of the recommendation of the naval architect," to take the responsibility of contracting for the construction of ships on the Hough or the Donnelly designs.

But before a layman touches on questions of contract and design, which involve technical judgment, the plain representations as to raw material are worth considering. In the Southern trade journal, *The Manufacturers Record*, of May 31st, the spokesman of the Southern Pine Association, J. E. Rhodes, gave it as his opinion that "the South is prepared to furnish the lumber required and to build all of the wooden ships that the United States government may demand." "The schedule of the bill for standard wooden ships to be built for the emergency fleet calls for 1,436,000 feet of timber for each boat. Now, assuming that one-half of the timber product of the South could be made into material suitable for the construction of these wooden boats and meet the requirements of the government schedule, it will be seen that the required number of feet for two hundred boats could be manufactured every thirty days, and that this process could be continued indefinitely. . . . The South, with its two hundred or more shipyards, is equal to the situation. It may be stated here that the annual timber output of the United States does not represent the full mill capacity of