ation on business, particularly its influence on inventory accounting procedures.

EFFECTS OF TAXATION ON EXECUTIVES. By Thomas H. Sanders. Cambridge, Mass.: Harvard Business School Division of Research. 229 *pp.* $3.25.

EFFECTS OF TAXATION ON EXECUTIVE COMPENSATION AND RETIREMENT PLANS. By Challis A. Hall, Jr. Cambridge, Mass.: Harvard Business School Division of Research. 353 *pp.* $4.25.

COMPENSATING THE CORPORATE EXECUTIVE. By George Thomas Washington and V. Henry Rothschild, II. New York: Ronald Press. Revised edition. 586 *pp.* $12.

A basic library on the problems of executive compensation. Although there is inevitable duplication of material, these books contain a mine of information on the technical and general aspects of compensating executives in this era of sky-high taxation. A businessman will find an analysis of various methods used by employers to secure tax benefits for their executives, including stock option plans, deferred compensation plans, qualified pension and profit-sharing plans, etc. Professors Hall and Sanders also come up with some interesting conclusions as to the effect of taxes on an executive's willingness to work, his attitude toward a change of employment, his investment plans, and similar matters.

THE NATURE AND TAX TREATMENT OF CAPITAL GAINS AND LOSSES. By Lawrence H. Seltzer. New York: National Bureau of Economic Research 732 *pp.* $7.50.

A comprehensive survey of a long-standing *cause célèbre* in the tax field. The concept of distinguishing capital gain from ordinary income and giving it preferential treatment has been the subject of never-ending debate. Professor Seltzer analyzes the theory of capital gains and discusses the arguments for and against giving them preferred treatment. In addition to these theoretical aspects of the problem, there is good coverage of the most recent devices for securing capital gain advantages. For those interested in the comparative law aspects, there is a chapter on the tax treatment of capital gains in other countries.

FEDERAL TAX REFORM. By Henry C. Simons. Chicago: University of Chicago Press. 184 *pp.* $3.50.

The late Henry C. Simons was a vigorous spokesman for orthodox governmental fiscal procedures. The trend of Federal monetary policies, he warned, would cause the economy—and with it the last vestiges of freedom—to be absorbed by the all-powerful state.

TAXES AND ECONOMIC INCENTIVES. By Lewis H. Kimmel. Washington: The Brookings Institution. 213 *pp.* $2.50.

Do income taxes interfere with capital expansion? How significant is the impact of taxes on investment decisions? Have income and sales taxes affected the efforts and attitudes of workers? Mr. Kimmel approaches these questions in his authoritative study of the effect of Federal taxes on economic incentives.

THE CORPORATION INCOME TAX. By Richard Goode. New York: John Wiley & Sons. 242 *pp.* $3.

The author finds that the tax on corporations is, despite its defects, our second-best tax, next to the individual income tax. After weighing the effect of a corporate tax on national income, employment, savings, prices, wages, etc., he concludes that it is favorable to consumption and relatively unfavorable to investment.

FINANCING DEFENSE. By Albert G. Hart and W. Cary Brown. New York: The Twentieth Century Fund. 161 *pp.* $2.

How to "keep our economy healthy" in this difficult period of national preparedness is the keynote of this timely book. The authors analyze some of the elements the comprise our Government's military and civilian budget, explore possible economies, and discuss the probable effects of current and proposed methods of taxation to raise the money to meet the budget. They suggest ways in which Federal revenues can be increased to meet the necessary costs of mobilization without damage to our economy.

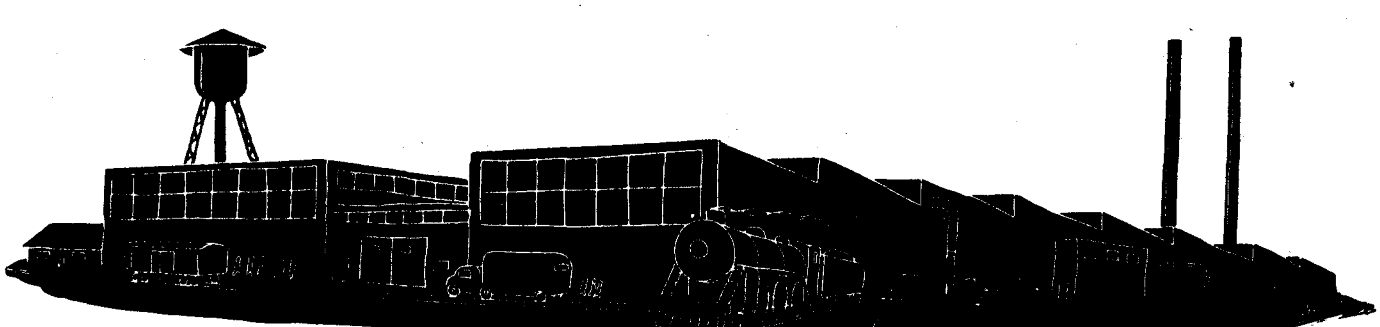
—R. C.

3. *Inflation*

THE scare buying which sparked the early phases of the Korean inflation is well behind us. A more basic kind of inflationary influence troubles our economy now, and will be our problem for the future: competition between Government and civilians for the same products. But as an indicator of the "every man for himself" psychology which it is fair to believe still exists, the rush to buy in 1950 has disturbing implications for 1952 and later.

Mobilizer Charles E. Wilson predicts that we can continue our lukewarm war mobilization with only 20 per cent of national output going to defense. Even at this conservative rate the defense drain on our over-all needs will be appreciable as critical materials and products really go to war. At the same time, personal and corporate income will continue high. In combination these factors will almost certainly result in the traditional inflationary pattern: demand in excess of supply, with a consequent upward price spiral. How can we best cope with this chronic inflation ahead? By direct controls of wages and prices—or by indirect measures to reduce money in circulation? As is true of almost every economic issue, there are no wholly unequivocal answers.

During World War II we achieved a measurable control of inflation by direct methods. But even with our national morale keyed to the pitch of total war prices and wages continued to soar, and the dollar depreciated. At best the direct controls of 1942-1946 operated as brakes; they never really stopped inflation. It is doubtful



whether as much can be accomplished in a state of half-war.

Advocates of the indirect method of controlling inflation offer these as basic solutions: (1) increased production; (2) drastic reduction of non-defense Government expenditures; (3) increased personal income taxes; (4) sharply curtailed credit; (5) intensified efforts to encourage personal savings. They contend that controls as such must merely supplement this indirect program, and if used at all must be "flexible"—adjustable up or down to changes in producers' costs.

Achievement of the five goals listed above would certainly tend to lower demand and increase supply, if only because of the reduced amount of money in circulation. But is it any more realistic to expect government (that is, politicians) to initiate these belt-tightenings than to expect administrators of direct controls to circumscribe their own power? As for a savings campaign—a cynic might ask how a people who default on blood donations can be inspired to save their money as a weapon against an abstract ogre named "inflation."

In the area of credit control and increased production the picture is more optimistic. There was a substantial tightening of credit during 1951, and production per man hour has been and can be further increased.

The United States can undoubtedly muddle through the chronic inflation ahead. We have astronomically more economic wealth than countries which have suffered economic collapse due to depressed currency. But one critical index of an economy's ability to weather serious inflation is its people's capacity for self-discipline, that is, self-denial. Without the affirmative, willing support of the individuals whose own destinies are in balance, no program for controlling and minimizing inflation can succeed.

—G. J. D.

INFLATION IN THE UNITED STATES, 1940-1948. *By* Lester V. Chandler. *New York*: *Harper & Bros.* 402 *pp.* $6.

A professor of economics at Princeton University investigates recent inflationary cycles of our economy. He devotes major attention to the government's fiscal-monetary policy, because in the inflation of 1940-1948 "the dominant dynamic force was the Government's spending-taxing-borrowing policy and the passive and easy monetary policy which was used to assure the Treasury of an adequate supply of money at continuously low interest rates." A timely and important book for businessmen concerned about the effect of current Federal monetary and tax policies upon the financial stability and economic welfare of the nation.

DEFENSE WITHOUT INFLATION. By Albert G. Hart. New York: The Twentieth Century Fund. 186 *pp.* $2.

Mr. Hart reports on the main problems of stabilization in a mobilized economy, concentrating attention on ways to maintain the most effective civilian economy at a time when the most effective defense is the primary aim. He investigates how the defense program is likely to affect taxes, prices, wages, salaries, production, distribution, interest rates, savings, property values, and the like. He reveals a program for action prepared by the Committee on Economic Stabilization for bringing our vast economic power fully into play both for defense and the maintenance of a high standard of living.

MOBILIZATION AND INFLATION. By Frederic L. Simmons. Claremont, Cal.: The Associated Colleges at Claremont. 98 *pp.* $2.75.

A series of lectures, recently delivered by the author, describing how to control the current inflationary spiral and how to preserve a sound economy in time of national emergency.

THE ECONOMICS OF MOBILIZATION AND INFLATION. By Seymour E. Harris. New York: W. W. Norton. 308 *pp.* $4.50.

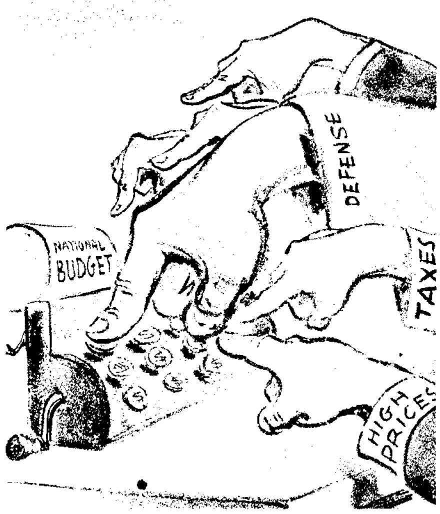
Professor Harris carefully analyzes the inflationary forces involved in mobilization, with emphasis on the need to avoid unfair distribution of sacrifices. He points out the role which income, taxation, savings, and control policy must play, separately and in combination, to combat our chief domestic enemy. An exceptionally clear exposition of the problems of a readiness economy with recommentions as to remedies. —R. C.

4. *Business in '52*

PROSPERITY without boom, high activity without real confidence will mark the cross-grained surface of 1952. Beneath the surface the statistics will have reality for most companies and individuals. Some will far outstrip the national averages; others will lag painfully behind.

The decisive fact for the year is that the impact of the defense program will be felt for the first time in 1952; but deflationary winds will continue to flatten the inflationary waves. The weather map for the year shows these high and low pressure areas ahead:

Consumer income will stay high, fattened by new pay increases; and buying power will be energized by the tremendous savings which people packed away during 1951. The desire of a growing population for a higher-and-higher standard of living will increase basic demand. Business spending for plants and equipment will almost equal 1951's high level, forming another strong economic support. A reservoir of strength lies in the nation's backlog need for houses, roads, schools, bridges, hospitals—all waiting for materials. And the underlying upward force will be generated by the dynamics of huge Government spending (fifty to sixty billion dollars for defense alone), as the United States adds to its military strength and accepts the increased global role which



Burch in the Chicago Sun-Times.

"Will It Add Up?"

the economic crisis in Europe has thrust upon Washington.

On the deflationary side, consumers may continue to balk at high prices, slowing sales activity at all business levels from retail to manufacturing. The scarcity of raw materials will not result in the kind of consumer shortages that would trigger volume buying. Although business inventories are being worked down, stocks are still high enough to supply at least a limited selection of almost all types of products through the middle of the year. At the same time, many manufacturers of consumer goods will have trouble getting enough steel, copper, and aluminum to keep production above the break-even point. Military competition for materials will show its teeth in 1952. Profits will narrow for many companies, pinched by mounting taxes and the higher costs of labor and raw materials. There will be unemployment in some areas, even while serious labor shortages plague other parts of the country. Millions of families will continue having a difficult time making both ends meet.

On balance, the inflationary pressures will be somewhat stronger than the deflationary forces, but the economic results of 1952 are less significant than the risks they involve for the future. The many ticklish decisions which must be made in these twelve months may sow the seeds of crisis for a later year. The guns and butter of 1952 may be the junk and sour milk of 1953 or 1954—depending on whether business, labor, farmers, consumers, and Washington can soundly harmonize self-interest and the national interest in working a way through the many challenges described in these pages.

—E. C.

WHAT'S AHEAD FOR AMERICAN BUSINESS. By Sumner H. Slichter. Boston: Little, Brown & Co. 216 *pp.* $2.75.

With his usual clarity, Harvard economist Sumner Slichter takes a long-range look at the implications of the defense economy and outlines the probable characteristics of the economy in the foreseeable future. The book may be of positive value in communicating to a wider public some of the current patterns and forces of business life. Mr. Slichter's conclusions are optimistic for the future and the dynamic economy of the U.S.

PSYCHOLOGICAL ANALYSIS OF ECONOMIC BEHAVIOR. By George Katona. New York: McGraw-Hill Book Co. 397 *pp.* $5.50.

A technical but always interesting study of the basic factors which will determine the economic future. Using the provocative method of "a psychological approach to economic analysis" the author uncovers some facts about both consumer and business behavior which would be of genuine use in management planning.

U. S. A.: MEASURE OF A NATION. By Thomas R. Carskadon and Rudolf Modley. New York: The Twentieth Century Fund. 101 *pp.* $1.

A pictorial and graphic digest of "America's Needs and Resources." Reviews past economic achievements, what our resources are today, and forecasts what our requirements are likely to be in 1960.

ECONOMICS OF EMPLOYMENT. By Abba P. Lerner. New York: McGraw-Hill Book Co., Inc. 397 *pp.* $4.50.

A penetrating analysis of the problem of employment and unemployment and the avoidance of cyclical depressions. The long debate over the thesis that "depression and inflation