

Some Aspects of The Inequality of Incomes in Modern Communities

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ισότητα δ' αἰροῦ καὶ πλεονεξίαν φύγε.

MENANDER.

"The drift of economic science during many generations has been with increasing force towards the belief that there is no real necessity, and therefore no moral justification, for extreme poverty side by side with great wealth."

MARSHALL.

"On aperçoit dans le commencement de l'humanité le commencement de son mal. La racine de l'abus, c'est l'héritage. . . . C'est jusque-là, jusqu'au droit monstrueux des morts, qu'il faut tracer une ligne droite et nettoyer les ténèbres. La transmission des biens et des pouvoirs, quels qu'ils soient, des morts à leurs descendants, n'est pas conforme à la raison et à la morale. . . . Chacun doit occuper dans la destinée commune une situation due à ses œuvres et non au hasard. . . . L'héritage, forme concrète et palpable de la tradition. . . ."

BARBUSSE, *Clarté*.

PREFACE

WHILE studying economics at Cambridge in 1909-10, I became specially interested in those books, or parts of books, which set out to discuss the distribution of income. I gradually noticed, however, that most "theories of distribution" were almost wholly concerned with distribution as between "factors of production." Distribution as between persons, a problem of more direct and obvious interest, was either left out of the textbooks altogether, or treated so briefly, as to suggest that it raised no question, which could not be answered either by generalisations about the factors of production, or by plodding statistical investigations, which professors of economic theory were content to leave to lesser men.

This state of things appeared to me to be very unsatisfactory, and my opinion was strengthened, when I read certain criticisms by Professor Cannan upon existing theories of distribution and still more when, at a later stage, I came into personal contact with his teaching in London.

In 1911 I was elected to the Hutchinson Research Studentship at the London School of Economics, and began a study of the causes of the inequality of incomes in modern communities, with special reference to the effects of inherited wealth. But this scheme gradually broadened in several directions. In the first place I was led to examine more closely the historical development of the theory of distribution.

In the second place, as a preliminary to, and as a partial basis of, my main enquiry, I attempted to extend the existing theory regarding the division of the total income of a community between different categories and, in particular, between different factors of production. In the third place, I attempted to compare statistically the inequality of incomes in different communities. Here I was struck, on the one hand, by the inadequacy of the available statistics, and on the other by the ambiguity of the conception of "inequality," and the need to give it, with special reference to incomes, a more precise definition and a logical measure. For many of the measures proposed by writers on the subject seemed empirical, ill-supported by argument, and sometimes even contradictory in their results. In the fourth place, I tried to reach definite conclusions regarding various proposals designed to reduce inequality without injury to productive power.

By the summer of 1914 I had completed the first two Parts of the book as it now stands, and collected a considerable amount of material for the remaining Parts. After the outbreak of war my work was interrupted by more than four years of military service, and I was not free to take it up again till May, 1919. With a view to early publication, I then recast my scheme, putting aside a large quantity of the material which I had hoped to use. In particular, I have dropped out all discussion of the measurement of inequality, on which subject I hope shortly to publish a self-contained study.

In Part I., then, I enquire how the great inequality of incomes in modern communities strikes modern minds, especially at the immediate close of the war, and how far ethical first principles give any guidance in regard to it.

In Part II., I sketch the growth of the theory of distribution in the hands of successive generations of economists.

It is an inevitable result of the revision of my pre-war plans that this part of the book should seem disproportionately long.

The theory developed in Part III., on the subject of the division of income between categories, is very much a skeleton. But even a skeleton is easier to clothe than a ghost, and it is only the ghost of a theory on this subject that can be discovered in existing textbooks. I shall watch hopefully for later writers, who will clothe my skeleton with flesh, or even, perhaps, re-arrange its bones.

In Part IV., in discussing the division of income between persons and the causes of the inequality of incomes, I have deliberately laid great stress on the factor of inherited wealth, owing to its neglect by most other writers. In Chapter X. of Part IV. I have brought together a number of tentative suggestions for the practical reform of the law of inheritance. But I have not attempted to discuss the probable effects, on inequality and on productive power, of the various projects now current for the reorganisation of industry, in whole or in part, on a Socialistic basis. For both thought and action in this matter are moving rapidly in many parts of the world, and any adequate discussion would need to be lengthy, while present conclusions, especially as regards production, may soon be modified by new experience.

My obligations to Professor Cannan, as regards the general conception of the book, have already been indicated. I have further to thank him for many criticisms on points of detail. Sir Arthur Peterson and Mr. T. E. Gregory have also given me the benefit of their judgment on particular points.

HUGH DALTON.

*London School of Economics,
March, 1920.*

NOTE

The page references to Mill's *Principles of Political Economy* are to Ashley's (1909) Edition, to Marshall's *Principles of Economics* to the fifth edition, to Professor Taussig's *Principles of Economics* to the first edition, and to Professor Nitti's *Scienza delle Finanze* to the fourth Italian edition.

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