

and set forth, as clearly as is practicable, the relation between commissions and courts as agencies of such regulation. The next hundred and fifty pages deal with rate regulation and the specific problems connected with it. A hundred pages more are devoted to problems of service; and the remaining hundred and twenty-five pages deal with those aspects of railroad administration which do not directly affect the people who run the roads but are of primary interest to those who own or manage them—such as credit, valuation, wages, or accounting.

The individual chapters are almost all good. The man who wants to know what is the present practice and what are the present rulings in any specific matter of rates, service, or management, will find his questions well and compactly answered. He will get, not merely a clear and interesting account of existing conditions, but a history of the way in which they have developed and an economic analysis of the reasons for their existence.

When a book does so much it seems ungracious to complain of it for not doing more. But the aggregate merit of the work as a whole is hardly what one would expect from the separate interest of the individual chapters. We get much excellent information as to details; we get comparatively little light on the general question which way we are drifting or whether we can safely continue on our present course.

Rates, wages, credit, and service are not separate problems and cannot be so treated without ultimate disaster. If the difference between receipts from rates and expenditure for wages and materials is not sufficient to pay taxes and interest, railroad credit is improved and railroad service suffers. This is simply the application to railroads of the general principle known as the law of supply and demand. The authors of this book understand it, and have stated it in a fairly satisfactory way in the Chapters on General Rate Levels. But they have nowhere taken the next step and answered or even asked the question, "Under what conditions can the necessary service be secured with the minimum margin of rate level over wage level?" The failure to face this question more clearly has given the economic reasoning of the book a somewhat disconnected character.

The attempt to answer such a question with any degree of fullness would undoubtedly have made the book more difficult to read, and might perhaps have impaired its usefulness to the general public. But it ought to have been possible to expand Chapter XIII, on "Rates and Service," in such a way as to show the method by which men like Cohn or Wellington or the French Engineering Economists have dealt with the subject, and to have placed this matter before the treatment of Railroad Rates instead of after it. It would also have been advisable, from the economist's standpoint, to treat the adjustment of labor disputes in more immediate connection with rates, instead of regarding it as one of the miscellaneous problems of railroad management. And finally it seems essential to include in the course of suggested reading some of the economic analyses which have been written by engineers. Wellington's *Economic Theory of Railway Location* is probably the best in spite of the time which has elapsed since its last real revision in 1887. The student who has read Parts I and IV of that work, has acquired a knowledge of the kind of thinking which he must do in order to look at any large problem of railroad regulation in its entirety.

ARTHUR TWINING HADLEY

New Haven, Connecticut

*Federal Income Tax.* By George E. Holmes. 1923 Edition. Indianapolis, Bobbs-Merrill Company, 1923. pp. lviii, 1847.

The appearance of the edition for the current year of this excellent book on federal taxes, with both a much larger page than, and almost twice the number of pages of, the substantial first edition of 1920, serves to call attention anew

to the unfortunate intricacies and complexities of our federal revenue system. The vastness of the government's taxing business is well-nigh appalling and since the governing law is capable of such varying interpretations, with slight variations affecting even single taxpayers into the thousands of dollars, the task of interpretation and administration seems rather to increase than diminish in difficulty with the passage of time. Rulings grow on top of rulings until the basic foundation of law is entirely hidden. Thus for example, the Revenue Acts of 1918 and 1921 did not expressly exempt from taxation income received from a state or its subdivisions. Since, however, the Supreme Court in what is thought to be an entirely unsound conclusion, has clearly intimated that such income cannot be taxed by the federal government [*Evans v. Gore* (1920) 253 U. S. 245, 40 Sup. Ct. 550, criticised in COMMENTS (1920) 30 YALE LAW JOURNAL, 75], it has been ruled that such income is exempt under the present laws. But this ruling is in turn limited by a ruling that the exemption applies to income received only by an *officer* or *employee* of the state or its subdivision. And hence the government holds that the fees of a state court jurymen or of a New Hampshire deputy sheriff are exempt, while the fees of witnesses summoned by a state attorney and of a special counsel to a municipality are taxable. (Holmes, 458-460.) In the light of the existing situation, while we may deplore the necessity, we must be highly grateful for the industry which gives us each year new editions of the standard income tax treatises, of which this is one.

The present edition continues the high standard of previous editions which have been favorably reviewed in these columns. (1920) 30 YALE LAW JOURNAL, 104; (1921) *ibid.* 540. It presents a careful, clear, complete, lawyer-like statement of all the interpretations, both by courts and by the government, of the federal income, capital stock and stamp tax laws. Anyone who has attempted to apply the government rulings appearing in the weekly treasury bulletins will appreciate both the magnitude and the value of a collection and combination of these rulings into a workable and readable whole. The author, who is a lawyer of extensive experience in tax matters, makes many acute suggestions of his own as to doubtful points, but these he has rather carefully relegated to the footnotes and he has limited himself to suggestion without going into argument. The thought was expressed in a previous review that the author might well go farther in this regard than he had in the edition then under review. In the present edition he seems to have done so to a certain extent, although his expression of personal opinion is still rather limited. In view of the extent of the subject and his evident plan to give a comprehensive and complete statement of the present state of interpretation of the law, perhaps he is wise in not expanding his work to its possible confusion by arguing at length what the interpretation should be.

The volume is printed in large clear type, with attractive blue binding, and it contains that most important adjunct of the good law book, a complete index. It seems adequately to fulfill its intended purpose.

CHARLES E. CLARK

Yale University Law School