

THE GROWTH OF CAPITAL

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The Growth of Capital by Robert Giffen

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ROBERT GIFFEN

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OF CAPITAL**

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GROWTH OF CAPITAL.

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BY

Sir
ROBERT GIFFEN.

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NOTE.—The following pages were written for the most part in 1867, or early in 1868, and should be read as speaking from those dates. The completion of the book has been prevented till now by a pressure of official work, leaving but scanty leisure. The delay, however, makes comparatively little difference in what is spoken of as the present time, as there was no great change in the Income Tax Returns for a few years after 1865, although a considerable change seems probable in the present year, and next year.

December, 1869.

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CHAPTER I.

INTRODUCTORY

IN the present essay I propose to resume and continue the notes on accumulations of capital in the United Kingdom, contained in a paper which I read to the Statistical Society in January, 1878, and since reprinted in the first series of my "Essays in Finance."* An additional period of ten years can now be dealt with, and the later compared with the earlier results.

In entering on the task I desire to recall attention to the special object in view. This is to discuss the

* See "Essays in Finance," first series, fourth edition. London: Geo. Bell and Sons. 1886.

accumulations of capital or growth of capital in a given period. For various reasons economists desire to know the rate of accumulation in a country—to compare the rate of taxation, for instance, with the gross and with the taxable income, to ascertain in what forms mainly the wealth of the country is growing, to compare the growth of capital itself with the growth of population, and so on. It is recognised, however, that only approximate results are obtainable. Imagination shrinks from the task of framing a catalogue or inventory of a nation's property as a valuator would make it: the idea of a valuation of the whole property of a country, as if a country could really be valued as a going concern, is itself a violent hypothesis; yet only from such inventories from time to time could the growth of wealth in the same country between two different dates be ascertained, while such growth being expressed in money might itself require correction if for any reason it did not happen to correspond with the growth in things. In the absence of such complete inventories however, it is thought that an approximation can be made to the results aimed at by valuing the leading items of national property in some definite way, and that this approximation may be tolerably useful as a basis for comparing the growth between two different periods, and for comparing one country with another, although the incompleteness of each inventory itself may be fully recognised. According to well-known statistical experience, the comparison of the growth or increment may be reasonably successful if the same method is followed on each occasion in working out the data for the comparison, although these data themselves may be unavoidably incomplete.

I must insist on this point all the more, because, since my former paper was written, attention has, in fact, been withdrawn from the special object in view, and it has been thought, apparently, that such estimates of property can be used for miscellaneous purposes in a way which I believe most dangerous, and that they can be made with a degree of accuracy which I believe to be impossible. Country has been compared with country, and period with period, in the most reckless fashion, without any attention to the comparability of the data. Such figures have even been used officially for the purpose of discussing the relative incidence of taxation on different kinds of property, real and personal being the kinds distinguished. I desire to record an emphatic protest against the employment of a method, which appears good enough for a special purpose in the absence of anything better, for purposes of a totally different kind, where a different degree of accuracy, which the figures are not susceptible of, may be necessary. Whether estimates of property, and the different kinds of it, can be made for such a purpose as discussing the incidence of taxation, or the like practical objects, is a point at least on which I reserve my own opinion. At any rate, those who make such estimates are bound *in limine* to justify their method, and to prove that the necessary degree of accuracy for the purpose they have in view is obtainable. For any such purpose as that now in hand, comparatively rough estimates are all that are required, and comparatively rough estimates are all that it is proposed to make.

An explanation at the outset as to the method followed may also be allowed. The object being to