

Periodicals

corn from countries able to produce it at lower cost. He was a leading opponent of England's Corn Laws of 1815, which barred food imports.

Ricardo also formulated the theory of comparative advantage, showing how two nations—each able, because of its particular natural advantages, to produce a different product at lower cost than the other—could increase their total output and lower their costs through specialization and trade. “It is this principle,” Ricardo wrote, “which determines that wine shall be made in France and Portugal, that corn shall be grown in America and Poland, and that hardware and other goods shall be manufactured in England.”

That was hardly the end of his contributions to economic thought. For exam-

ple, his doctrine of fiscal equivalence, now called Ricardian equivalence, held that the economic effects are the same whether government finances its activities through debt or taxes.

Ricardo didn't live to see his theories prevail. He died of an ear infection in 1823, leaving a fortune worth \$126 million in today's dollars. Twenty-three years after his death, the Corn Laws were repealed and his free-trade agenda was enshrined in British policy. “Britain became the ‘workshop of the world,’ importing most of its food and ‘outsourcing’ most of its agricultural employment.” As the 20th-century economist John Maynard Keynes put it, “Ricardo conquered England as completely as the Holy Inquisition conquered Spain.”

Tax Tales

“How Fair? Changes in Federal Income Taxation and the Distribution of Income, 1978 to 1998” by James Alm, Fitzroy Lee, and Sally Wallace, in *Journal of Policy Analysis and Management* (Winter 2005), Assn. for Public Policy Analysis and Management, P.O. Box 18766, Washington, D.C. 20036-8766.

The federal income tax has gone under the knife many times in recent decades, in some cases to promote economic growth, in others to make it fairer or more socially beneficial. The income tax that emerged from all the surgical nips and tucks between 1978 and 1998 was still progressive, but less so than it had been, report Alm, an economist at Georgia State University, and his colleagues. And that was before President George W. Bush's tax cuts in this decade.

The Suits Index measures how regressive or progressive a tax is on a scale from -1 (regressive) to +1 (progressive), with 0 repre-

senting a neutral tax. The more progressive a tax, the more redistributive its effect on income. Despite slight increases in 1995 and 1998, the index declined 16 percent over the whole 20-year period, falling from 0.273 to 0.229. It still remained in progressive territory.

Changes in the tax base have tended to make the system more progressive. These include subjecting some Social Security benefits to taxation (1983) and repealing the state and local sales tax deduction (1986). Changes in tax rates have had the opposite effect, producing a kinder and gentler tax system for those who have more.

EXCERPT

Google-opoly

In a few years you'll be driving your Google to the Google to buy some Google for your Google.

—EnsilZah, a poster on the online technology forum Slashdot.org (Jan. 31, 2005), quoted in *The New York Times*.