
ECONOMICS, LABOR & BUSINESS

guards, programs aimed at boosting *esprit de corps* and developing career ladders into supervisory positions would have taken some of the pressure off union negotiators and the collective bargaining process.

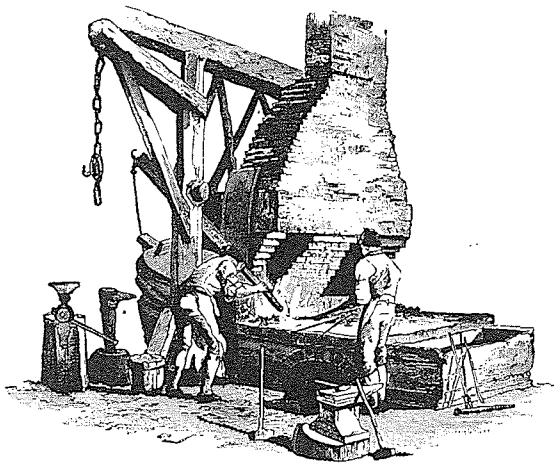
Guns and Butter in Merry England

"Taxation in England During the Industrial Revolution" by Ronald Max Hartwell, in *The Cato Journal* (Spring 1981), 747 Front St., San Francisco, Calif. 94111.

Wars and the taxes that financed them struck many late 18th-century Englishmen and economists—as well as later historians—as drags on economic growth during the Industrial Revolution. In fact, contends Hartwell, an Oxford historian, the economic benefits of taxation and military spending outweighed their costs.

England's Industrial Revolution roughly coincided with the Napoleonic wars (1793–1815) and followed a century of conflict. Modern researchers estimate that while national income rose nearly fourfold during the key 1780–1830 period, taxation per capita probably increased fivefold. Unlike France, England had long been adept at contriving schemes to pay for wars without inflaming its citizenry. It first imposed import duties in 1275 and had been collecting excise taxes on basic necessities and raw materials such as soap, salt, leather, and tea since 1643 (during the English Civil War).

In 1780, squeezing increasingly heavy customs, excise, and land taxes from an unhappy populace failed to produce funds to wage war successfully against the American colonies. In 1797, during the Napoleonic wars, Prime Minister William Pitt convinced Parliament to levy "an efficient and comprehensive tax on real ability"—an income tax. Soon, it was yielding nearly 20 percent of total tax revenue. Moreover, during



*Built to supply
weapons to
British soldiers
battling Napoleon
at the dawn of the
19th century,
factories such as
this iron foundry
spurred England's
industrial growth.*

From *Microcosm* (1806)
by William Henry Pyne.

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the 18th century, the English government pioneered in borrowing and created a public debt to meet day-to-day administrative expenses while carrying on wars. The proportion of English war expenditures financed with bonds and other securities rose from 31 percent in 1800 to 60 percent during the height of the conflict with France.

From 1790 to 1830, war needs transferred 20 percent of English national income to the government. Levies such as the tax on imported raw materials did raise consumer prices, and they reduced individual investments. But government spending spurred the economy with purchases of armaments, uniforms, and other goods. In effect, the public sector, concludes Hartwell, built the nation's industrial infrastructure.

SOCIETY

*A Two-Class
Black Society*

"Black Social Classes and Intergenerational Poverty" by Martin Kilson, in *The Public Interest* (Summer 1981), P.O. Box 542, Old Chelsea, New York, N.Y. 10011.

The decline of black family median income relative to white families'—from 62 percent in 1975 to 57 percent today—is widely taken as a sign that black economic progress has slowed. But Kilson, a Harvard political scientist, contends that this aggregate "lag" masks the emergence of two black classes—the "haves," an employed black majority who have "made it" economically, and the "have nots," comprised increasingly of female-headed households.

Today, writes Kilson, 33.5 percent of employed blacks hold white-collar positions, and 30 percent hold stable blue-collar jobs. These "haves" are giving their children a real shot at prosperity—via higher education. Blacks today make up 11 percent of America's population and fully 10 percent of the nation's college students. Blue-collar and middle-class blacks are sending their offspring to college at rates slightly higher than are comparable whites. Moreover, by 1973, college-educated black men aged 25 to 29 were already earning nine percent more than were their white counterparts (\$11,168 versus \$10,242), thanks largely to federal policies that induced national corporations to hire more minority managers and professionals.

Meanwhile, due to high rates of divorce and unwed motherhood, the proportion of female-headed black families has risen, from 28 percent of all black households in 1969 to an estimated 41 percent today. The median income of these families was only \$5,598 in 1977. And nearly half of their youngsters dropped out of high school. Such youths, writes Kilson, "will find it well-nigh impossible to pass on to their children a capacity for upward mobility."

The institutions that helped black "haves" and other minorities get ahead are not likely to continue doing the job. Trade unions now speak