of the year Two, Brown's £100, brought forward from the 31st of December of the year One, is clearly Capital, and a £5 tax, payable on that £100 on the 1st of January, is a tax on Capital. When does the change take place? Do the church bells, as they ring out the old year and ring in the new, ring also the change of Income into Capital? The division of Assets into Income or Capital requires, then, as a preliminary, the establishing of a recognised Unit of Time, and in accountancy the ordinary Time-Unit is the year. Logically, the recipient of a weekly salary who ends the week with a surplus carried forward to a second week, and is taxed in such second week, is taxed on Capital, as his Unit of Time for the receipt of Income is the week. By a parity of reasoning a partnership making up its accounts every quinquennium might argue that all receipts within that period were Income.

A graduated tax on the assets of citizens at a given period is as fair as any other system of taxation, and can by graduation be made fairer than most. On what class of capital should the burden be laid? Capital falls into two great divisions, Wealth-Producing and Non-Wealth-Producing Capital. A claim by "A" on the wealth of "B" is, from a National standpoint, Non-Wealth-Producing Capital. Let us elaborate this point—that whether a Levy on Capital will be economically harmful or harmless to a Nation must largely depend on the species of the citizens' assets on which the Levy is made. Even what is commonly termed in business "Working Capital" will generally be found to divide into two sub-divisions :—

(a) Active Capital, embracing cash and other assets actually employed in the business.

(b) Passive Capital, embracing reserves against contingencies.