



SATURDAY, AUGUST 25, 1928.

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*Editorial and Publishing Offices :*

MACMILLAN & CO., LTD.,  
ST. MARTIN'S STREET, LONDON, W.C.2.

Editorial communications should be addressed to the Editor.  
Advertisements and business letters to the Publishers.

Telephone Number: GERRARD 8830.  
Telegraphic Address: PHUSIS, WESTRAND, LONDON.  
No. 3069, VOL. 122]

### National and Local Taxation in Relation to Education and Research.

PREOCCUPIED as they are with the advance of culture, learning and new knowledge, it is not surprising that the governing bodies of the various higher educational and research institutions, learned and other societies devoted to the same cause, find little time to spare for the consideration of such subjects as taxation and rating reform. In all probability few, if any of them, have yet given any thought to the possibility of the application to such institutions of the proposals outlined by the Chancellor of the Exchequer, in opening this year's budget, for giving relief to the productive industries of Great Britain, or envisaged the activities for which they are responsible as the most important productive industry of all.

It would be a pity, however, if no advantage were taken of the opportunity which presents itself in connexion with the rating reform proposals of the Chancellor, to press for the inclusion of all educational institutions, except those carried on for private profit, among those properties which are to be relieved altogether from the payment of rates. There is every reason for their inclusion. In the first place, educational progress is the decisive factor in industrial progress. The revival of agriculture and the basic industries of the country will ultimately depend even more upon the application of new knowledge and the intelligence of the persons engaged in them than upon the measure of relief proposed by the Government. Secondly, it would save trouble and expense to the Government, to local governments, and to the institutions themselves.

The case of University College, London, may be regarded as typical. At present this institution pays rates in respect of its buildings to two local bodies, the St. Pancras Borough and the Holborn Borough. These boroughs remit a proportion of the rates collected to the London County Council and other statutory authorities. The London County Council makes a contribution towards the upkeep of University College, and the Government assists it also out of the annual grant put at the disposal of the University Grants Committee. It seems fairly clear that it would simplify matters if the Government, now that it is committed to the principle of relief of rates, applied it to such educational institutions. It is not improbable that the Government would welcome representations made to it with this end in view, for it is very much in earnest in trying to eliminate unnecessary

administrative expense in connexion with national and local taxation.

Now that the whole system of rating and apportionment of rates in Great Britain is to be thoroughly overhauled, the time seems opportune not only to give direct relief to universities and kindred institutions as regards local rates, but also to ask that a rate be levied by local authorities to be applied definitely to their upkeep. At present all local authorities in England are left free to decide for themselves what they will contribute out of local revenues for this purpose, either directly in the form of a grant to a particular institution, or indirectly by means of scholarships and maintenance grants to students, or in both these ways. But they are also free to decide to make no definite contribution at all. It is difficult to defend such a system, more particularly as nowadays, in theory at least, university education is within the reach of all who are able to prove they would benefit by it. It is no longer the prerogative of one class. One way of financing the universities to enable them to meet their ever-increasing responsibilities to the nation would be for the central government to exact a *per capita* contribution for the purpose from every local rating authority in the country.

Another question in connexion with taxation which has not been given the prominence it deserves, is raised by the recent judgment of Mr. Justice Rowlatt, sitting in the King's Bench Division, on the appeal of the Geologists' Association against the decision of the Inland Revenue Commissioners regarding its liability to income tax. Apparently the Geologists' Association based its claim to exemption from income tax on the ground that it was just as entitled to be regarded as a charitable institution within the meaning of the statute of Elizabeth, the criterion in these matters as regards income tax, as any educational institution in the country. The submission of the Inland Revenue Commissioners in disallowing the claim was that in their opinion "the main function of the Association is the combination of members for scientific purposes and mutual improvement and the giving and receiving of instruction among themselves, and without questioning that the studies pursued by the members tend to the increase of knowledge and indirectly to the promotion of education generally, as well as other objects of public utility," they held that the Association is not a body of persons established for charitable purposes only.

Mr. Justice Rowlatt upheld that adverse decision, although he stated that it was a case in which the commissioners could have decided in favour of the

Association on the ground "that after all these people arranged for visitors or outsiders being taken in, they amalgamated their library with the University library, and they admitted learned bodies to their membership." If any further endorsement of the views expressed by the Inland Revenue Commissioners and the learned judge on the useful public work performed by the learned societies were required, we have only to refer to the recently published report of the Research Co-ordination Sub-Committee of the Civil Research Committee, wherein it is stated "the great bulk of scientific papers has in the past been published in the Proceedings and Transactions of the various learned societies and in the Technical Journals, and the whole of it has been undertaken at the charge of individual workers banded together for that purpose."

The Government has in small measure acknowledged the nation's indebtedness to the learned societies by sanctioning a yearly Treasury grant in aid of scientific publications—it will be remembered this grant was increased from £1000 to £2500 in 1924—using the Royal Society as the agency of distribution to the others. It is somewhat ironical to find another Government body disallowing their claim to enjoy the privileges granted to other educational institutions on the grounds that their contributions to knowledge are made voluntarily and almost entirely at their own expense.

Were the learned societies extremely wealthy bodies so that the total amount of revenue involved were at all considerable in amount, were any special concessions granted to them at all likely to create a precedent for other claims, we could perhaps appreciate the anxiety of the Inland Revenue Department in the matter. The amount involved is, however, trifling, and we can think of no other bodies in the country, outside the learned societies, performing the same or similar functions. It is true that the existing definition of a 'charity' for income tax purposes is capable of various interpretations, but it is at least permissive, as the Royal Commission on the Income Tax which reported in 1920 took occasion to point out when suggesting the term 'charities' should be specifically re-defined by Parliament. If there is difficulty in finding a definition at once inclusive and exclusive, that is to say, inclusive of those bodies we have in mind, but exclusive of societies whose main function is propaganda of extremely dubious educational value, we suggest it might be overcome by a schedule to the existing Acts, which could be made subject to revision from time to time.

It may be, of course, that the practicability of this suggestion was already considered before it was decided to test the legality of two typical societies' claims for relief of income tax, up to the Court of Appeal, at the expense of the Treasury. If the next appeal from Mr. Justice Rowlatt's decision be unsuccessful, presumably recourse will have to be made to the House of Lords. The costs of this would have to be borne by the societies concerned, with any assistance which might be forthcoming from other interested bodies. It may eventually be desirable, therefore, for the societies to make representations to the Chancellor of the Exchequer, or direct to Parliament, in order that the onus of responsibility of finding a formula of exemption from income tax satisfactory to the societies and to the Inland Revenue Commissioners be put upon the Law Officers of the Crown.

There is one feature in the present action between the Crown and the learned societies on the subject of income tax exemption against which protest should be made. Up to the time the test cases were decided upon in 1926, these bodies had their claims for remission of income tax granted. Since that year the Inland Revenue Commissioners have refused to pass their claims for repayment, although the test cases have not yet reached the Court of Appeal. We should have imagined that, pending the decision of the Appeal Court, claims for repayment would have been passed in accordance with established custom.

#### 'Lloyd's.'

*A History of Lloyd's: from the Founding of Lloyd's Coffee-house to the Present Day.* By Charles Wright and C. Ernest Fayle. Published for the Corporation of Lloyd's. Pp. xxi+475+42 plates. (London: Macmillan and Co., Ltd., 1928.) 25s. net.

LOYD'S is one of those institutions which was never really founded but grew into being, and it did not become a corporate body until it had been a power in the land for many years. The person from whom it takes its name had little or no knowledge of underwriting and had no direct connexion with that business: he was, in fact, the keeper of a coffee-house first in Tower Street and then, from 1691, in Lombard Street in the days when coffee-houses were becoming convenient places for business men to discuss their affairs over such refreshment as the houses provided. It was natural that persons of like interest should

haunt the same place, and Lloyd's Coffee-house was patronised chiefly by the city merchants interested in marine affairs and in the insurance of the risks connected with the sea. Edward Lloyd and his immediate successors catered for the wants of their patrons and issued a news-sheet giving useful information, and many years later (in 1734) Lloyd's List was established, and the authors state "there can be no reasonable doubt that it was the demand of the underwriters for shipping intelligence that led to its establishment." The Coffee-house arranged with the Post Office to be exempt from the then heavy charges for delivery of correspondence. So the connexion grew, and even the Admiralty gave information to the master of Lloyd's Coffee-house and sought and obtained information in return. From about 1760 a 'Register of Shipping' was kept, and this series of registers developed into Lloyd's Registry of Shipping, an institution independent of Lloyd's.

Apart altogether from Lloyd's Coffee-house, the merchants interested in underwriting had taken action when the formation of companies to undertake insurances was under discussion. 'Bubble companies and intrigue' is not an unfair description of company finance of 1720, and the arguments for the formation of insurance companies with a monopoly, and those urged against the proposal by the merchants, seem poor enough to-day. The result did not come from argument, but the two charter companies won their charters and their monopoly by an outrageous piece of bribery of the King himself. The monopoly given to the two companies did not prevent merchants or individuals from underwriting insurance, and probably helped the individuals engaged in underwriting by preventing the formation of a number of companies. Many years later Lloyd's produced arguments to prevent the formation of rivals to the two charter companies, and it was not until the days when free trade was the cry that new marine insurance offices were allowed to be formed.

If a fear for their pockets had encouraged merchants to take joint action with regard to the formation of companies, it was a wish for better attention and greater comfort that led to their action in 1764, when those who formerly frequented Lloyd's Coffee-house set up a new Lloyd's Coffee-house in rivalry, and later on, in 1773, took rooms for the new Lloyd's over the Royal Exchange. The management of the old coffee-house had apparently become slack during the ownership of