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JOURNAL ARTICLE

Consumption Taxes and Compensatory Finance

Alan T. Peacock and John Williamson

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CONSUMPTION

THE purpose of this paper is to examine the relationship between taxes on income and consumption. It is a policy paper. By "stabilisation" we mean a policy of a high and stable level of employment.

The development of the economy has been very one-sided. In some ways it has been very top-sided. In some ways it has been very bottom-sided. For example, distinctions have been made between government expenditures on goods and services, on capital goods, on subsidised and separate marginal investments, on different factors identified, an open economy, and so on. The industrial sectors has been very different. The consumption taxes—as consumption taxes—has been infrequent and generally not a major reason for this state of affairs. The consumption of consumption goods, in the context of multiplier models.

The accepted conclusion is that these are marginal taxes. True, this conclusion may not hold good if the economy is pushed to the limit, but there is no effect of introducing such taxes. This paper includes these factors. The factors that have been extended to the point reached is, as previous, a plausible one that consumption taxes in the sense of leading to a

The model of inflation is of a sort that would produce a developed economy. The system through the labor market to be determined by a market

¹ The authors wish to acknowledge the support of the University of Essex and York.

² See, particularly, R. A. M. (1959), Part IV.

³ Cf. Bent Hansen, *The Economics of Inflation*, p. 100.

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