

## THE BUDGET PROPOSALS

### EXTRACT FROM THE PARLIAMENT DEBATES

(House of Commons, 24th and 25th April)

#### The Chancellor of the Exchequer's Speech 24th April

MR WINSTON CHURCHILL, introducing the Budget said:—

The group of new luxury taxes on silk and on the McKenna Duty imports show, on the whole, an increase. The same may be said, broadly speaking, about the various Safeguarding and Key Industry Duties. This class of taxation, which is producing in the aggregate a very substantial revenue has not, generally speaking, been attended by increases in the cost to the consumer, and has certainly had no adverse results on the employment of the people.

The Customs Duty on British wines instituted last year was fixed at 1s. a gallon. I am sure that it could be prudently and fairly raised to 1s. 6d. a gallon.

I propose as from the 28th April that there shall be a Customs Duty upon mechanical lighters of 6d. and a corresponding Excise Duty of a similar amount on home-made mechanical lighters. Its object, of course, is to preserve the efficiency of the far more important match industry, from which we get several millions revenue every year, by curtailing the use of mechanical lighters.

The Committee appointed under the Safeguarding of Industries procedure unanimously recommended the imposition of a Customs Duty on buttons—buttons used for fastening or decorating apparel. I propose, therefore, as from the 28th April, that a duty of 33½ per cent. *ad valorem* shall become chargeable on such articles.

According to the calculations I have had made, the advantage gained by the wage-earning mass of the nation from a decline of 10 points in the cost of living may, after making full allowances for any wage reductions which have occurred, be computed at not less than £100,000,000 a year—not a fact to deplore. A far less satisfactory picture is presented by the heavy basic industries, which have the greatest responsibilities in the employment of the people, which are most directly in contact with labour unrest, which are most unsheltered from foreign competition, which are most markedly charged with our elaborate social services, and which are principally affected by the high costs of our sheltered transport trades.

The railways pay over £7,000,000 in rates. They are sheltered from foreign competition, but inside this island the railways are confronted with the strong competition of motor vehicles.

Productive industry employs three-fourths of the weekly wage-earners and accounts for not far short of nine-tenths of the 1,000,000 unemployed. The distributing trades, according to every test which the Inland Revenue can apply, have not suffered, but, on the whole, have prospered in the last 10 years.

The policy will proceed in three main stages. First, the gathering of the money necessary for the relief of the rates upon the producers; secondly, the defining of the scope and direction in which that relief should be applied; and, thirdly, the reimbursement of the local authorities for their loss in rateable value.

The opportunity afforded by the relief of productive property from rates will be used to establish a system of block grants subject to quinquennial revision. These block grants will include not only compensation to the local authorities for their loss of rates but will also include the existing percentage grants for health services. They will also include the grants under the

Agricultural Rates Acts and the other money provided by the Assigned Revenue System, except only such part as is allocated for education and police purposes.

As to roads, the grants from the Road Fund for road improvement in all areas, and for the maintenance of Class 1 and Class 2 roads in administrative counties, all continue unchanged. On the other hand all State assistance towards the maintenance of roads in London and in county boroughs and of non-classified roads in administrative counties will in future be given through the channel and in the form of the new block grant.

During the 19th century the industrial power of our country rested upon the basis of its wonderful coal-fields; the 20th century has seen us become increasingly dependent upon imported liquid fuel, scarcely any of which is found inside the British Empire. We paid last year for oil supplies of every kind almost as much as we received for our export of coal. We used to be a source of fuel; we are increasingly becoming a sink. These supplies of foreign liquid fuel are no doubt vital to our industry, but our ever-increasing dependence upon them ought to arouse serious and timely reflection.

We need both road and rail communications, and it is the task of Parliament to regulate the relations between them in a true proportion, having regard to their competing interests and to bring those competing interests into harmony with the general interest.

Weighing the issue between coal and oil, and weighing the issues between road and rail, and contrasting the rapidly expanding pleasure traffic with the depressed and struggling condition of our basic industries, the Government have come to the conclusion that a new duty should be imposed upon certain kinds of imported oils. The whole yield, and more than the whole yield, will be devoted to the relief of other burdens. We confine ourselves to the light hydrocarbon oils. In the main those are used for motor transport, for various industrial purposes, and for the lighting and heating of public places and the dwellings of all classes. The duty will be extended to one single vegetable oil, that is to say turpentine, which is in active competition with white spirit.

To put a tax of 4d. on these light oils would not prevent the rapid progressive increase of consumption which has been a marked feature of recent years. The extraordinary fall in price which has marked the last five years, and particularly 1927, renders the moment for imposing the tax singularly opportune. In five years the retail price of No. 1 motor spirit in London has dropped from 2s. to 1s. 0½d. per gallon. Since the beginning of 1927 alone it has fallen by 5d.

All forms of home production from indigenous products will be free from any countervailing excise. Thus an undoubted stimulus will be afforded to the production of Scottish shale oil and other British oils—to benzol and liquid fuel manufactured by all the new scientific processes from British coal. The addition of 4d. gives effectual protection—that is what it comes to—to this great home industry, exactly as we have done in regard to beet sugar. All oil used afloat in the fishing fleets, whether for deep-sea or inshore fishing, will be free. Further, the tax upon light oils used in agricultural tractors, of which there are 23,000, for the purpose of tillage and only for the purpose of tillage in all its stages—not stationary engines, I cannot frank them, the leakage would be too great—will be remitted.

It is estimated that a duty of this character at the rate of 4d. on light oils will yield in the financial year

1928 £14,000,000, and in 1929 £17,800,000, and that thereafter the revenue from it will rise year by year by about £1,250,000 a year. The new revenue derived from this tax, together with the ordinary surplus this year, will supply the means for the rating reliefs to productive industries.

In order to balance the extra fiscal burden which this tax on kerosene\* may throw upon the consumer, I propose to reduce the existing duties on sugar by certain amounts which will ensure, it is true, a small reduction, but will an appreciable reduction, of  $\frac{1}{4}$ d. per lb. in the retail prices. Foreign white or refined sugar with a polarization of over 98 degrees will continue to pay the existing duty. By this means it is also possible to afford assistance to the British sugar refining industry.

The new scheme of duties is designed to encourage the importation of raw sugar, which must undergo a refining operation in this country, rather than the importation of the white sugar which is refined abroad.

It is a part of the main argument I am submitting that heavy vehicles that run almost continuously upon the roads do not at present pay their proper economic share of road maintenance. The 4d. Oil Duty will fall appreciably upon them, and I stand here to argue that it ought so to fall. There will be reductions in the licence duties on lighter goods vehicles and hackney vehicles, and there will be in addition a 20 per cent rebate of licence duty allowable for all heavy vehicles provided they are fitted with pneumatic instead of solid tyres.

We now begin to reach the fertile and agreeable regions of rating relief. We shall concentrate our relief on the producer. These reliefs will be afforded in two ways. They will be afforded directly by reduction of rates upon premises used for the purposes of production. The relief will be afforded indirectly by the reduction of the rate burden upon the freight carrying railways, the canals, harbours and docks. In the case of the railways, etc., the relief will only be afforded conditionally on those undertakings making equivalent reductions in their transport charges wherever practicable. The public utility undertakings—gas, electricity and water—are outside the scheme. With these exceptions any building or other property used for the purposes of production by means of manual labour will be included in the proposed relief—production not distribution. On the other hand, such buildings or parts of buildings as offices and residences lie outside the scope of the relief. The object of the Valuation (Ascertainment) Bill, which will speedily follow the Budget Resolutions, is to separate one class of property from the other.

Over the whole of this area it is proposed at the rate payment of October, 1929, to reduce the local rates by three-quarters. Farm lands and buildings will, therefore, from and in October, 1929, that is, after the rate payment of April, 1929, be at once completely and permanently relieved of all rates. The farmer will continue, of course, to pay rates on his residence in the ordinary way; but so far as agricultural production is concerned, he will be entirely free. There will be no chance of rates being raised upon him for any cause or in any district. The whole business of assessment and reassessment, as far as he is concerned, comes to a final end. Out's out. To him, after the middle of next year, the rates are dead, and, as the poet said, "Stone dead hath no fellow."

In addition to the direct relief to be given by the three-quarters of the rates which are to be remitted in the case of productive industry, there will be given

the further impetus of a reduction of railway and canal freights and of dock and harbour dues. The entire rating relief accorded to the railways, amounting, as far as we can at present estimate, certainly to not less than £4,000,000 a year, shall be concentrated on certain heavy traffics. One-fifth of the whole of that relief will be given to agriculture. The other four-fifths of the relief will be concentrated upon the following traffics—coal, coke and patent fuel, mining timber, iron stone, iron ore and manganese ore, and limestone for blast furnaces and steel works.

Coal will have a rate reduction factor which will go to the railways and will be used for reducing freights, and consequently it will cheapen the iron ore which arrives at the steel works, where again the special rate relief is accorded, and this cumulative relief will be passed on to the shipyard, where it will find the appropriate three-quarters relief. If these basic industries are restored to a prosperous condition, not through the agency of increases of price but through the agency of an increase of true competitive power, the benefit which they will derive will permeate upwards tier by tier to every part of our social and economic life, and will come back to us from abroad in the improvement of the balance of our trade.

According to the full returns which the local authorities from one end of the country to the other have been good enough to furnish at very short notice, the rates now paid upon productive industry, agricultural and manufacturing, and on railways, canals, docks, harbours, amount to about £34,000,000, constituting about one-fifth of the entire rate revenue. The cost of the complete derating of agriculture is about £4,750,000. Three-fourths relief in manufacturing productive industry direct through derating, and also through the medium of railways, canals, docks, and harbours, will cost over £21,000,000 a year. £3,000,000 will be required to inaugurate the new scheme of local government. Therefore, the total money to be found by the Exchequer will amount to £29,000,000 a year.

## First Day's Debate

(25th April)

MR PHILIP SNOWDEN (Labour): The loudest cheer that greeted the speech of the Chancellor of the Exchequer yesterday came from the benches opposite when he announced that the landlords were to be put still further on doles. We get exactly the same anomaly in operation there as in connection with the manufacturing industries. The more valuable the land, the more profitable the purpose to which it is put, the greater will be the relief that the landlord—perhaps in the first instance the farmer—will get. The right hon. Gentleman cannot quite drive out of his mind his old belief in the iniquity of the increase in land values going into the pockets of the landlord. That came out, I believe unconsciously, yesterday. He said that these great firms are, in the main, the owners of the freehold upon which their works stand, and, therefore, the increase of land values would go to their benefit. The owners of agricultural land are also the owners of the freehold, and, if the increment value is going to the owners of commercial enterprises, it is equally certain that the increment value will go into the pockets of the agricultural landowners; as a matter of fact, nobody disputes that. It is a perfectly outrageous thing that hundreds of thousands of acres of land outside our towns which is ripening in value every day and which is being used at the present time for agricultural purposes is going to be relieved of rates altogether.

MR LLOYD GEORGE (Liberal): There is no dispute between any sections in this House as to the extreme

\* The tax on kerosene (paraffin) has since been abandoned.—Editor, *Land & Liberty*.