

DEBATE ON THE BUDGET

IN THE House of Commons Debate, April 11, Mr. F. C. R. Douglas (Battersea, North), said :

I was somewhat surprised—I would almost say shocked—to hear the Chancellor of the Exchequer propounding the view that the Purchase Tax was a form of taxation which might or, indeed, ought to become permanent in this country. This tax was introduced during the period of the Coalition expressly and only for the reason that it was said to be a means of preventing inflation by—to use the phrase which the Chancellor quoted—“mopping up purchasing power.” That was the argument for it as a temporary measure to meet a war-time danger, and it was upon that ground that members of my party, for the most part with considerable reluctance, accepted it at that time. I do not consider that it is a suitable permanent means of taxation. It has, of course, one great merit which all indirect taxation has. It tends to be concealed from the notice of the taxpayer so that he does not realise how much he is paying. In that respect it conforms with the maxim of Louis XIV's Finance Minister that “The art of public finance is to pluck the goose with the least amount of squawking.” I think, however, that there are other canons of public finance which are more important and which override that.

I am well aware that it has long been the theory that such taxes are defensible because they are levied on luxuries, and that they take out of the pockets of rich people and idlers money which they spend on frivolous purchases. But the whole experience of this matter during history has shown that that argument is not true. One of the greatest illustrations of that was in the reform of our fiscal system which took place during the first half of the last century when hundreds—and I think I could say, thousands—of taxes were repealed and abolished, having been imposed on this, that or the other article upon the plea that they were taxes upon luxuries. When this House, through a Select Committee, examined this question they found that in a great many cases these taxes were hardly paying for the cost of collection, and that as a fiscal instrument they were entirely worthless.

We have to consider this not from the point of view of how to extract a large amount of money from the taxpayer without his squealing, but from the point of view of the economic and moral principles which ought to govern the matter. If I buy a play by Mr. Bernard Shaw, in the form of a book, I pay no Purchase Tax. But if I see that play performed at the theatre I have to pay for my entertainment according to one rate of taxation, and if I see it performed on the screen, in the cinema, I have to pay at another rate. There is nothing more meritorious in one case than in the other. There is no reason why, when I get entertainment from reading a book, I should get it free of tax, and that when I get my entertainment from going to a theatre I should pay tax. If I purchase the score of a piece of music by one of our great composers I pay no Purchase Tax or other tax upon it. But if I buy a gramophone record, on which this piece of music has been recorded for my enjoyment, I am subjected to Purchase Tax. I say that these discriminations, which are inherent in the nature of the tax, can never be given any economical or moral justification.

Another matter to which I would like to refer is the question of accepting payment of Death Duties upon landed estates by a transfer of the estate, in kind, to the public. With this the Chancellor coupled the provision of a fund of £50 million, to be used for the purpose of acquiring land which it is desirable, for one reason or another, should be publicly owned. But on the fiscal aspects, to accept payment of Death Duties by receiving land is not something which can be carried out to any great extent. If, during the course

of a year, the Chancellor were to accept payment in kind of £50 million due for Death Duties he would be short of £50 million of current revenue which he required to meet current expenditure. To get that £50 million he would have to raise some other taxation if he wished to keep the land, and not sell it. All the land would yield would be its revenue for one year, five per cent., or whatever it might be. Clearly, therefore, there is a limit to the extent to which that kind of thing can be done without raising taxation correspondingly, so that as a fiscal device it does not present any great advantages.

The last matter to which I would like to refer is the relationship between national and local Government finance. The central Government is now contributing £290 million towards local expenditure.

Local rates are going up, very substantially. We have seen day after day in the papers announcements of places where the rates have gone up by one, two or even three shillings in the £ already. That is by no means the limit of this process. Again, it is an inevitable one, because of the higher price level with which we are now confronted, and which will raise the cost of carrying on all local services and will involve the local authorities in a higher rate of expenditure. On the other hand, we all know, from experience of what happened after 1918, that movements of rateable value take place with the most extreme slowness. I suppose I should be about right in saying, that even in the 20 years between the two wars the average increase in rateable values due to revaluation was not more than about 30 per cent., although the price level then, as compared with 1914, was very much higher. Therefore, it is inevitable that there will be very heavy increases in the rate in the £ levied by local authorities during the next few years.

That will have the effect of accentuating all the evils and injustices which arise out of our system of local rating. In particular it will mean that every house which is built to meet the frightful shortage of housing accommodation with which we are confronted will have to bear an extremely heavy burden of rates. Its rent will be increased by, in many cases, 75 per cent. or 100 per cent., by reason of the rates which are imposed upon it. When we are talking about incentive and about encouraging production, surely, here is something which cries out for remedy. It is just as wrong to impose local rates upon houses as it is to impose a Purchase Tax upon other essentials of life.

I hope that the Chancellor of the Exchequer, in conjunction with my right hon. Friend the Minister of Health, will give most serious consideration to this question of local rating with the object of carrying out what has been approved by a very large number, hundreds, of local authorities in this country, the rating of site values—a reform of which there has been 30, 40 or 50 years' experience in some of the British Dominions overseas. I beg of my right hon. Friend to look at this question, which has a most important bearing upon the financial stability of our local authorities and upon the progress of the house-building programme of this country. If hon. Members on the other side of the Chamber are anxious to see the private building of houses encouraged at rents or prices which people can afford to pay, they also ought to take an interest in this question. To penalise the building of houses, as does our local rating system at the present moment, is certainly doing no public service and is making a solution of present problems far more difficult than otherwise would be the case.

These are a few suggestions which I offer to the Chancellor of the Exchequer. I hope that his next Budget will show further progress along the lines which he has already indicated of relief of taxation and encouragement of production, and I hope that it will show a complete balance.