

LAND & LIBERTY

PUBLISHED BY THE UNITED COMMITTEE FOR
THE TAXATION OF LAND VALUES, LTD.

Forty-fourth Year.

Established June, 1894.

By Post 2s. 6d. per annum.

Editor: A. W. Madsen

Assistant Editor: F. C. R. Douglas

94 PETTY FRANCE, LONDON, S.W.1.

Telegrams: "Eulav, Sowest, London."

Telephone: Whitehall 6008.

Postage on this issue is One Halfpenny.

MAY, 1937

MORE DEBT AND MORE TAXATION

The Budget presented by the Chancellor of the Exchequer, Mr Neville Chamberlain, on 20th April, presents two noteworthy features. The one is that the revenue to be raised is not sufficient to meet the national expenditure of the year. The other is that there is an increase of taxation, including a tax of somewhat unusual character.

The first of these features is by far the most important. It was long a healthy tradition of British public finance that no borrowing should be effected for defraying national expenditure, whether that expenditure was of a capital nature or otherwise. It was regarded as especially profligate to borrow for the purpose of defraying non-reproductive expenditure.

The rule was broken occasionally under the pressure of actual wartime expenditure, but it has been only in recent years disregarded in peace time. Now, indeed, a school of thought has arisen which considers it praiseworthy rather than reprehensible to borrow for public expenditure. It is believed that it is possible in this way to stimulate trade and increase employment and wages, thereby benefiting the poorer section of the community. Borrowing and inflation have become respectable and taxation and deflation have become questionable.

Judgment in all such matters must depend upon the test which is applied. It is fallacious to argue that such and such a policy is in the national interest. A nation is composed of a great number of individuals whose interests are extremely diverse. It is not difficult to show that national borrowing is not to the advantage of all citizens. Some of them lend to the Government; others pay the taxes which provide the interest and redemption of the debt. It is self evident that these classes are not identical. If they were identical, it would follow that those who subscribe the loan would also pay themselves the interest upon it and repay to themselves the principal advanced. If this were so, the subscribers to public loans would consist entirely of altruistic people who desired nothing for themselves and who desired merely to help the State. In that case they would simply give their money to the Government without going through the farce of pretending to subscribe to a loan.

In the world in which we live things do not happen like that. Those who lend their money to the State do so because they expect advantage out of it, and because they do on the whole, obtain advantage. It follows therefore, that others must pay a substantial share of the taxation necessary for the service of the loan. The

proportion of the population which buys public stock is comparatively small, and especially of those who subscribe for large amounts. The point does not need elaboration. It is only those who have capital available who can lend it. The ordinary worker, be he clerk, artisan, or whatnot, lives practically from hand to mouth. Such small savings as he can make are invested with his friendly society, trade union, or life assurance. These, and others in like circumstances, are the people who, in some way or other, will pay the interest and sinking fund on the loan. How they will do so remains to be seen. It may be through indirect taxation, or it may be through increase of prices reducing their standard of living and giving increased profits to other taxpayers. But the inference that they will do so in one way or another is irresistible.

The new tax on excess profits, called by the harmonious name of National Defence Contribution, is almost a confession that the government's policy of borrowing for arms expenditure will lead to increased prices and increased profits. It is a plausible attempt to reconcile the irreconcilable—to make it appear that the wealthy will really bear the burden of armaments. However, the standard of revolt has already been raised in the City, and the Chancellor of the Exchequer has promised reconsideration of his new tax. The result we may feel certain will be to reduce the revenue to be derived from it.

Many just criticisms could be made of the details of the N.D.C. It falls most heavily, for instance, upon those industries which have suffered most during the depression. It gives an advantage to those industries which require a large amount of capital, and in the term capital be it noted is included all the valuable assets of a business, land and monopoly privileges for instance. Yet it might be argued that that industry is most efficient which is able to produce the largest volume of goods with the least capital.

It penalizes new and expanding industries and assists those which are becoming obsolete and inefficient, and thus retards that constant development and improvement which must take place unless the technique of production is to become stereotyped and the advance of knowledge ineffective. It does not fall upon the increased rents or prices which the owner of land is enabled to extract from the producing section of the community.

This brings us to the fundamental criticism of this as well as of our whole system of taxation. It makes no true discrimination between earned and unearned incomes. It does not attempt to distinguish between those revenues which are a mere toll upon the productive effort of the people and those which are a return for services rendered in production.

The most important and far-reaching of such distinctions is between the value of land and the value of other things. We need not stress it. The difference is fundamental. Land is not produced. It is the gift of nature. It is the material basis of all production. Its value grows with every improvement in the condition of society. The basis of all reform both in our system of taxation and in our economic system must lie in the recognition that the community is entitled to the value which attaches to land by reason of the presence and activities of the community, that the individual is entitled to the use of land for his livelihood and to the untaxed enjoyment of what his labour produces.

F. C. R. D.

WHAT IS LAND VALUE TAXATION?—A brief and concise statement of the policy in eight pages, by W. R. Lester. Price 1d. or 3s. per 100, post paid.