

MR. PHILIP SNOWDEN ON "THE SOCIALISTS' BUDGET"

It is of more than usual interest to look back to Mr. Snowden's own forecast* in 1907 of what he would propose as Chancellor of the Exchequer. He formulates his ideas of taxation in the following propositions:—

1. Both local and national taxation should aim, primarily, at securing for the communal benefit all "unearned" or "social" increments of wealth.
2. Taxation should aim deliberately at preventing the retention of large incomes and great fortunes in private hands, recognizing that the few cannot be rich without making the many poor.
3. Taxation should be in proportion to ability to pay and to protection and benefit conferred by the State.
4. No taxation should be imposed which encroaches upon the individual's means to satisfy his physical needs.

The third proposition contains two distinct and opposite ideas, in amplification of one of which Mr. Snowden says in another passage: "The Socialist subscribes to the doctrine that each individual ought to contribute to the support of the State in proportion to the benefits he derives from the State."

There is a chapter on the wrong of indirect taxation, including under that heading not merely the breakfast table duties, but also the stamp duties and licence duties. Mr. Snowden concludes this examination by saying: "Under a just system of taxation all indirect taxation for revenue purposes would be abolished."

The next portion of the book deals with the "direct taxes," including the land tax, of which he says: "The present land tax ought to be repealed and some scheme applied which will secure for the community the social increment in land values." Of the Inhabited House Duty he says: "This tax has the pernicious effect of the old window-tax. It is a tax on healthy conditions, and tends to lower the standard of housing accommodation."

We pass to the contents of the "first Socialist Budget" as foreseen, in 1907. In the first place it must provide more revenue, partly in order to make up the deficiency caused by the abolition of indirect taxation and the establishment of a "free breakfast table," and partly in order to provide for the transfer of the cost of education to the State, dealing with the unemployed, old-age pensions, the payment of returning officers' expenses and the payment of members. The last three were already in existence when Mr. Snowden took office, and more is now being spent on the relief of unemployment than anyone in 1907 would have dreamt of, though unemployment is still greater than then. In this year's Budget, Mr. Snowden has gone half-way to a "free breakfast table" and has abolished the Inhabited House Duty. The stamp duties, licence duties and land tax still remain intact, the former, indeed, much increased since 1907.

The first proposal for raising the necessary revenue is to increase the yield of the income tax by differentiating between "earned" and "unearned" income and by graduating the tax. Both of these proposals have since been carried out (we need not here discuss the logic of the discrimination between "earned" and "unearned" income). The maximum rate of super tax is six shillings in the pound, exactly the figure proposed by Mr. Snowden in 1907, but it comes into force on an income of £30,000, not £40,000 as he there suggested. The ordinary rate of income tax (to which super tax is added) is 4s. 6d. in the pound as compared with 1s. in 1907.

* THE SOCIALISTS' BUDGET, by Philip Snowden. George Allen, 1907.

The next proposal for increasing the revenue is by increasing and graduating more sharply the death duties. Here again fate has forestalled Mr. Snowden, the rates of estate duty now in force are rather greater than he proposed until we get to estates worth £1,000,000, on which the rate now is 30 per cent. as compared with his 25 per cent. On estates of over a £1,000,000, Mr. Snowden proposed that the rate of estate duty should be 50 per cent.; the maximum now is 40 per cent. on estates of £2,000,000 and more.

The third and final proposal for new sources of revenue was the Taxation of Land Values. Mr. Snowden first refers to the estimates of the site value of this country and adopts the figure of £250,000,000 annual value, equivalent to a capital value of £6,000,000,000. This estimate would now require to be considerably increased on account of the reduced purchasing power of money, and the effect of 17 years' progress and increase of population on the value of land. He proposes that the tax should be one penny in the pound on capital value and declares in a preceding paragraph (p. 83) that "a national land tax does not forbid site values being made the basis of local taxation also. Indeed, after the Imperial tax of a penny in the pound has been imposed, there remains abundant scope for the local authority to put in a just claim for a further contribution to local expenditure from site values."

It is interesting to observe that the proposals for raising additional revenue in the "first Socialist Budget" have been attained almost in their entirety, except for the Taxation of Land Values. Mr. Snowden has already put into operation some of his proposals for remission of taxation. If he follows this up by the repeal of the remaining breakfast table duties, the stamp duties and licence duties, and impose a tax on land values, Mr. Snowden will have inaugurated the greatest fiscal and economic reform that this country has yet seen.

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MR. W. R. LESTER ON REAL FREE TRADE

In the WESTMINSTER GAZETTE, 12th September.

Free Traders and Protectionists alike are agreed that our industries are overburdened by taxation. Protectionists claim to have a plan for "taxing the foreigner" instead of ourselves.

It is not enough for opponents to show that this is an impossibility, for the idea is very plausible. We Free Traders must produce an alternative plan for giving industry a better chance than it has to-day. It is just here where much Free Trade propaganda fails, for it advances no constructive alternative. This is weak, for to successfully defend is to attack.

Surely the true line of advance for the thorough Free Trader is to aim at the abolition of all those taxes and burdens which now cripple industry, and the proportionate diversion into the Treasury of that other Fund which now flows, in a rich stream, into private pockets, though recognized by all progressive thought to be due entirely to communal activities, and therefore to be the true fund from which to draw for communal expenses—namely, the economic value of land.

Time and again, both Liberal and Labour Parties have declared in favour of untaxing industry and taxing land values. Let this policy be advanced as the alternative to the fallacies of Protection.

Its realization would not only increase production by removing burdensome taxes from it: it would also accomplish this end by making it unprofitable for anyone to hold more land than he will or can put to the use to which it is best adapted. Result: Cheaper goods, cheaper land, widened opportunities for labour, higher wages.