

# STRONG MEAT

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The public purse is raiding the private pocket.



THREE separate papers by different authors are contained in *Taxation: A Radical Approach* (IEA Readings in Political Economy 4\*). They all bear on the same theme, but the authors have not designed them for the same kind of reader.

The first of these papers, *International Tax Burdens*, by Professor Vito Tanzi, is subtitled "A study of tax ratios in the OECD countries." It is really designed for the professional economist—the kind of person to whom matters like rank correlations and regression equations are familiar, and who can tolerate a certain amount of mathematics. Although this paper is rather technical, it does serve to bring out two points which are well within the comprehension of the most unmathematical layman: first, the arbitrary nature of the assumptions on which some very important features of Government economic policies are often founded—and, second, the quite enormous variations both in the total tax burden and in the way in which that burden is distributed, even in countries whose standard of living is closely comparable. It is somewhat startling, for example, to discover that the proportion of the Gross National Product which is collected in taxation in France is nearly twice as high as it is in Switzerland; or that taxes on consumption form 20 per cent of the total taxation revenue in the United States, 38.4 per cent in Britain and 66.8 per cent in Iceland. It is assumed all too often that our current British sort of tax structure is an inevitable concomitant of the "affluent society;" this paper shows that it not merely can be, but actually is, varied within very wide limits.

## UP A BACK ALLEY

The second article *The Economics of Tax Reduction*, by J. B. Bracewell—

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Milnes, is more for the layman. It advances the argument that, even if Government expenditure were not reduced, there should be a massive shift from direct to indirect taxation. It is a pity that this author, like quite a lot of other people who agree with the broad objective of a much freer economy, should be lured up this particular back-alley. There are three good reasons why believers in a free market should not accept that line of taxation proposals:—

1. Indirect taxation does not merely collect revenue, but also dictates consumption. It is inconsistent for people who want governments to interfere less with the citizen's life, to support a policy which would enable them to interfere a good deal more.

2. Indirect taxes, especially indirect taxes on necessities (and Mr. Bracewell-Milnes declares that he prefers taxes on necessities to taxes on luxuries) must necessarily bear hardest on the poorest people, because the poorer people are, the greater the proportion of their income they must devote to consumption. Direct taxes on the other hand, if they are graduated at all, are graduated to fall proportionally most heavily on the rich.

3. To quote Professor Tanzi's article in this same book:—"... Although, by almost any definition, French taxes are among the highest in the world, and certainly far higher than those in the United States, it is generally impossible to convince the average Frenchman that this is so. The reason is rather obvious: in France the taxpayer is rarely aware of the taxes he is paying since they are "wrapped up" in the prices of products; in the United States he is, most of the time, painfully knowledgeable about the formal incidence of the two major taxes—on income and property..."

In other words, indirect taxes are less obvious than direct taxes, and therefore there is little effective public pressure to reduce them, or even to ensure that the taxpayer gets value for his money.

## DISASTROUSLY UNWISE

The third article, by D. R. Myddelton, is entitled *Taxes can be cut*, and is aimed at the layman. This also relates to the theme for preferring indirect taxes to direct, but it deals as well with other ideas which your reviewer, at least, finds much more palatable. Mr. Myddelton argues the familiar IEA thesis that the taxpayer could get better value if he were allowed much more to use his own money in his own way to purchase goods and services which are at present provided by the Government and paid for out of taxation. Scorn is poured on the contention of a former Cabinet Minister that "... in the case of nutrition and health, just as in the case of education, the gentleman in Whitehall really does know better what is good for people than the people know themselves."

The point here, surely, is not that "the people" are wise, but that "the gentleman in Whitehall" is very frequently and disastrously unwise. The particular fields in which Mr. Myddelton proposes reductions in expenditure are very much open to dispute; but what he establishes clearly is that a really massive reduction in Government expenditure can be made, without the people as a whole—and in particular the poorest people—suffering at all.

This article is of value in another way, for it provides a most useful set of tables indicating just where the money is collected and where it goes. How many people, for example, realise that (even if we deduct

SET returns), half the Gross National Product is collected in taxation of one kind or another? Mr. Myrdelton rightly includes in "taxation" all compulsory payments, such as rates and National "Insurance" contributions. Again, how many people realise that the social services—including education under that head—represent well under a half of that expenditure? At a time when trouble is yet again brewing in Northern Ireland, for the umpteenth time this century, it is interesting to note that the Province is not merely a political and moral liability, but a financial liability to the tune of £350 millions a year. So a man with a wife and two children is paying, on average, about £30 a year towards subsidies and all the rest of it for the privilege of allowing our soldiers to be shot in

Belfast, and hooligan mobs to relive a battle which was decided in 1690. We learn, too, that "Defence" (even omitting overseas aid) costs £2,350 millions a year—nearly £200 for the same family man. Would any of us sleep any less comfortably in our beds if this sum were cut by three quarters? Do we realise that every year we are paying £1,650 millions to private industry, of which £400 millions goes to agriculture, where it helps the big farmer to run his Jag and shoot his pheasants?

Facts of this kind should be known. People are getting so bemused with the string of noughts at the end of all public accounts that they fail to look at these figures for what they really mean—what the ordinary citizen is paying out of his pocket.

## Miscellany

### Alaska Land Grab

A correspondent in the *Christian Science Monitor*, September 5, made the following plea for the rights of the natives of Alaska: "The House of Representatives has an important opportunity to do justice by securing to the Alaska natives a fair settlement to their land rights. The natives—60,000 Eskimos, Aleuts, and Indians—have requested title to forty million acres of land—only 10 per cent of the land that has been theirs from time immemorial.

"The Alaska Claims Settlement Act of 1970 (Senate bill S. 1830) passed on July 15, 1970, provides the native peoples with title to only ten million acres of land, less than three per cent of the 350 million acres to which they have valid claims. The Alaska natives depend upon the land and its waters for their present livelihood, hunting and fishing for subsistence as they always have. The land is also their chief resource for sharing in the economic growth and development of the state and nation, and, equally important, it is the foundation of their rich and varied cultures.

"The cash compensation offered in the Senate bill in return for extinguishing native land rights will result

in a net economic loss to the native people. The present value of the land for subsistence hunting and fishing purposes, as well as its long-range commercial value greatly exceeds what the Senate grants in cash settlement.

"Please urge your congressmen to enact legislation that will confirm to the native villages of Alaska title to forty million acres of their ancestral lands."

### Hog Tied

IN *Scanlan's* magazine, March 1970, Ben Hecht's 1959 unfinished biography of Mickey Cohen, the gangster, appears. Hecht tells us that he is trying to see "the meaning of crime and its relation to my land." Crime, he says, is the only individualist activity that has increased in the U.S. in forty years.

Hecht laments that American intellectual life has dried up. Now, he says, instead of ferment there are mottoes.

"The reason for our drying up as Americans is that we have been captured and hog-tied by government. The chief source of our cultural and psychological attitudes is our government. We not only believe what our

President and his ghost writers tell us, and what the other politicians tell us, we believe nothing else. Worse, we apparently think nothing else. A sentence from Plato sighs in my head—"Lying is the right of government as giving medicine is of physicians."

### Simple Sense

THE London School of Economics is to spend £77,000 on a three-year investigation into the question whether violence and cruelty shown on television have any effect on viewers and if so what, reports Peter Simple *Daily Telegraph*, 28 August, 1970.

"I can tell them the answer in less than one minute, entirely free of charge. Violence and cruelty do have an effect, and it is a bad one.

"The investigation is a perfect example of the up-to-date idiocy by which conclusions which are perfectly obvious to anyone with a scrap of common sense are held to be doubtful because they have not been 'scientifically proved.'

"It is a perfect example of the way in which the precious, saving common sense of millions of people is being eroded and destroyed, leaving them a prey to any vicious, odious nonsense which fools and charlatans may wish to peddle to them."

### Power Challenge

The following is from the *Daily Telegraph's* review (Sept. 3) of Peter Jenkin's new book *The Battle of Downing Street*.

THE author tells of a "top secret conclave" which took place at Chequers towards the end of May 1969 on the initiative of Mr. Victor Feather, TUC general secretary.

The Prime Minister is said to have been "enraged at the intransigence and arrogance of the two union leaders. One of the exchanges went like this:

"Scanlon: Prime Minister, we don't want you to become another Ramsay Macdonald.

"Wilson: I have no intention of becoming another Ramsay Macdonald. Nor do I intend to be another Dubcek. Get your tanks off my lawn, Hughie!"