

FINANCING THE WELFARE STATE

To beer drinkers and some wine drinkers the "Iron Chancellor's" Budget promises slight relief. This is given only because a lighter tax is expected to encourage more drinking and produce more revenue. It has not caused much jubilation. A slightly more justified occasion for satisfaction is the decision to allow industrialists to allocate double the previous amount for the cost of wear and tear of their machinery—a fiat of the tax collector thus deciding the extent of a natural force. The old Land Tax, assessed on a valuation last made in 1692, and since whittled down to produce less than £600,000 a year, is to be abolished. Perhaps some influences will be grateful for the opportunity still further to encourage people to forget the subject of land taxation; or even for the opportunity of hinting that "a land tax brings so little that it had to be abolished."

On the other hand, ordinary people who use matches and telephones or register letters will be more heavily fined, and a reduction in the food subsidies will cause a rise in the prices of meat, cheese, butter and margarine. In so far as graduated income tax redistributes income the poor will thus be worse off comparatively as well as absolutely, and they will enjoy no relief from their present burden of wages-tax, purchase taxes and tariffs. The rush to make use of the supposedly gratis services of doctors and dentists, previously defended by Labour spokesmen as evidence of the need previous governments ignored, is now to be checked by the threat of making some charge. Besides reducing the previous claim to absurdity the charge will be an addition to the taxation and forced contributions now allocated to these services.

The Chancellor's speeches and indeed the speeches and articles of almost all the publicists, imply that it is the ordinary man, or merely inevitable circumstances that is responsible for "the dollar-gap," debasing the currency, and the illusion that people can have State services and privileges without paying for them. It is never clearly admitted that all these are creations of political propaganda and power. The ordinary man, it is implied, must not expect any relief from taxation, and he must continue to hand over much of his savings as well as 40 per cent. of his income to the Government. His only hope is to work so much harder that he will have more left for himself after giving up just as much to his rulers.

And in this subtle effort to put all the onus upon the ordinary people Sir Stafford and his friends receive the most effective assistance from the Opposition and its newspapers. Conservatives congratulate him on his courage and although some Liberals forced a division on their objection to lowering the cost of beer while increasing the price of food, they raised no objection to the principle of conferring upon Governments the power of using the tax machinery for creating artificial prices, for favouring some sections and oppressing others, or altering the value of money to suit administrators' convenience. Some newspapers, such as the *Manchester Guardian*, express misgivings "how rising productivity is to be ensured when incentives are so few," but beyond some pious hopes of further economies in Government spending, commentators have no solutions to offer. The dollar shortage is surpassed by the ideas shortage.

By that large section of publicists who incline to the fashionable Leftism without formally committing themselves to Socialism, Sir Stafford has been almost eulogised.

It seems as if the dominant powers in opinion are hoping this Budget marks a stage in the development of the Welfare State, when all the "interests involved" may be able to consolidate themselves behind a strong Chancellor in a position to keep the workers grateful for social services and content to pay for them out of their own pockets. The vote of 303 supporting the Budget against the three Communists who opposed it usefully illustrates the present cleavage of political forces. On the one side are the adherents of Moscow, logically accepting State domination with all its implications; on the other side are the Welfare Staters of various degrees, rivals for popular favour but all trying to persuade themselves that freedom can somehow be reconciled with depending on the State. To these groups and not to the deluded people, Sir Stafford might more usefully have directed his reproach of seeking "to have their cake and eat it." If there are any British people who believe that it is the duty of a government to remove the injustices which deny them the opportunity to rely on themselves, and that taxation laws, like all other laws, should conform to the principles of justice, they do not appear to have any representation either in Parliament or the newspapers.

A vote in the House of Commons does not always reflect the real feelings of the mass of the people. The alarm of Trade Union leaders suggests some of their followers might not be ready to accept the suggestion that the claims of earlier Socialists were pitched too high and that many of the previous speeches of Labour politicians did not mean exactly what they appeared to mean. Workers may still suspect that vast reserves of wealth remain undistributed and that Labour politicians when in office may not be so very different from other politicians. It would be safer to meet this discontent half way than to let it rankle while food prices rise and the "incentive" problem remains unresolved.

The loans from America enable Sir Stafford to provide an artificial supply of goods (far short of abundance) in Great Britain; the National Savings propaganda enables him to keep prices lower than would otherwise obtain; currency juggling enables him to maintain the semblance of high wages while adjusting their value to his convenience; the subsidies and protection granted to powerful industrial combinations and their relevant Trade Unions enable him to control any factor which might upset his calculations. But all this involves, on the one hand, high taxation and an army of officials, and on the other a docile people content to work hard in conditions of comparative austerity. And the difficulties of balancing these opposing tendencies will become greater if American doles should cease and armament expenditure should rise. An immense increase of production would, of course, enable him to surmount all difficulties. The demands of all the privileged interests could be met, taxation could be maintained, the currency could be stabilised, more goods could be released for the home market and the losses of expensive nationalised industries and State trading could be concealed or offset. But such an increase of production requires not only a docile people but also a greatly increased efficiency of industry, operating under those conditions of freedom from competition which have never hitherto contributed to efficiency. Is it wise to stake everything on such a risk? Few Chancellors in history would have failed if such marvels could always happen.

Before the next Budget perhaps Sir Stafford will think again. He has been congratulated on "the higher levels" for telling home truths to the masses; let him now tell some home truths to the "higher levels." If the artificial supply of American goods is to cease and increased armaments are to be provided the people cannot with justice be asked to maintain any monopolist or any unnecessary official; neither can any producer be asked to tolerate any burden upon production or any hindrance to his seeking the cheapest market in which to obtain the land, labour, capital or "raw material" for his industry. And if food subsidies are to be reduced or abolished it is imperative that the people should have full liberty to purchase food from whomsoever they desire.

The recent abolition of some controls, and the recent conferences on reduction of tariffs should enable the Chancellor to make definite moves in this direction. If one special interest objects to any withdrawal of its exclusive tariff and subsidy privileges, he could use this as an occasion to reduce and eventually abolish all tariffs and subsidies. The reduction of revenue from tariffs would be more than compensated by the reduction of expenditure on officials and subsidies; and the resultant increase of production would tend to cheapen retail goods and yield more for income tax in the aggregate while allowing the rate to be lowered. This is not merely theory; these were the results shown to follow the similar steps towards trade liberation taken by Great Britain in earlier times. And to stabilise the currency at its present internal value, and free its international rate would ensure that the balance of external trade reached the exact level most advantageous for the industry of the country as a whole. The gain of these measures to industry as a whole would more than counterbalance the loss to any industry of its special privileges. If in these circumstances any industry was found to be unprofitable it could safely be assumed to be redundant and its maintenance too great a burden upon the community.

At the same time, however, as he asked industrialists to forgo privilege, he could assure them of relief from the burden of rates and of much of the taxation they at present suffer. Every industrialist and every other person who occupies land could be, and should be, obliged to pay on the advantages of the site he occupies—these advantages accruing from the situation and activities of the community. But for the buildings and other work of man's hands it is both unjust and, at the present time especially, most inexpedient that he should be taxed. This would have a double advantage for a wise Chancellor. It would enable him to relieve industry of an immense burden which tends to cancel every increase of production, and it would enable him to tap a great source of wealth at present untouched—despite the specious and misleading claims for the Town and Country Planning Act. This Act, indeed, with its crippling "Development Charge" upon every extension of industrial development, needs to be completely redrafted if any progress is to be made. If Sir Stafford Cripps shirks this task it is difficult to see justification for any of the tributes paid to his courage respecting the present Budget.

To maintain all the expenditure of a Welfare State and to maintain private monopoly is obviously impossible. To abolish all monopoly would render the bulk of that expenditure unnecessary.

F. D. P.

THE LAND TAX OF 1692

IN his Budget Speech, April 6, Sir Stafford Cripps referred to the old 1692 Land Tax in these terms: "It is time that it was got rid of. It has long been redeemable, and 60 per cent. of the tax, which varies from 1d. to 1s. in the £ of annual value, has already been redeemed. What remains yields less than £600,000 a year to the Exchequer, from a total of 1,100,000 assessments. I propose, therefore, to make redemption compulsory when the property first changes hands, on sale or death, after April 1, 1950. There will be two exceptions. Where the annual charge is less than 10s., which is the case in 700,000 of the assessments, the tax will be abolished outright, at an annual cost of only £74,000 to the Exchequer. I further propose that, if the property charged passes on death but forms part of an estate below the Estate Duty exemption limit of £2,000, the redemption money shall not be chargeable."

The story of this Land Tax is told more fully than elsewhere in the late Joseph Edwards' *A Brief History of Landholding in England*. It begins in 1660, when the Convention Parliament debated the question whether, in view of the partial abolition of the feudal duties, an Excise duty should be imposed on beer and other liquors, or whether a right and proper equivalent for the feudal services should take the form of an annual rent-charge on lands bearing a fixed proportion to the true yearly value thereof. On November 21 of that year the motion to raise taxation by an Excise was carried with 151 voting in favour and 149 against. Thus by so small a majority as *two* was the entire future history of the kingdom changed. This Act completely altered the fundamental constitution of the kingdom. Previously the Government was a feudal monarchy, the public expenses both in peace and war being defrayed by the various feudatories, any deficiency being provided out of the public property vested in the King for the time being, and by taxes and subsidies on land and personal property granted by Parliament. The Act gave the feudatories a complete discharge from "the oppressive fruits and incidents" of their tenure. While discharging their obligations it confirmed their rights, and created the moral and legal anomaly of rights without obligations.

In 1692 came a tardy execution of justice in the imposition of the Land Tax which was regarded as a payment by the feudatories in lieu of their obligations under the Military tenures which had been abolished. Although it was called a "Land Tax" it was really a general property tax, and it also assessed personal property and income.

The important point, however, is that the tax (at 4s. in the £) was to be levied on the "true yearly value" of all manors, messuages, lands and tenements, quarries, mines, tithes and tolls, and an assessment was made to provide a basis for the tax. In 1697 the fixed sum of £1,484,015 1s. 11½d. was voted and ordered by Parliament, and since then no fresh valuation for the purpose of this tax has been made. From 1697 onwards to 1798 no increase was made in the amount levied although, naturally, the land and property values had enormously increased in the interval. In 1798 the amount was increased to £1,905,077, and was then made perpetual. The tax is based on the antiquated system of quotas from various parishes. Under the provisions for its redemption it has been largely extinguished, and now, as Sir Stafford has stated, it yields a net revenue of less than £600,000 a year. Meanwhile also personal property