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P. R. STUBBINGS

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Expense No Object

THESE are dark days for Britain — and for freedom. For years oppressive taxation and currency debasement, state paternalism and trade restraint have been at their devilish work, undermining the economy and the national character. The urgent need is to halt and reverse this dangerous course. Instead, the Government has chosen to reinforce and accelerate the forces of destruction. That is the significance of the recently published Estimates and of other developments during the weeks before Budget Day.

It is proposed to spend at least £341 million more during the coming year than the unprecedented sum budgeted for the year now ending. Of this, £116 million will be for defence, and the remainder for civil expenditure. As the Civil Estimates make no provision for meeting some anticipated calls on the Exchequer — for example, doctors' and dentists' pay increases and the railways — and as other items of expenditure will not be disclosed until Budget Day, the outlook is worse even than at first sight appears.

These increases have to be seen against the background of widespread complaints, admittedly not entirely disinterested, about the burden and inhibiting effects of present taxation. Even more, they should be seen against the Treasury resignations of two years ago. Mr. Peter Thorneycroft, the then Chancellor, accompanied by his Treasury colleagues, Mr. Enoch Powell and Mr. Nigel Birch, resigned in January, 1958 because they believed that a "ceiling" should be set to Government spending. Explaining his reasons in a letter to the Prime Minister, Mr. Thorneycroft wrote:

"I am not prepared to approve estimates for the Government's current expenditure next year at a total higher than the sum that will be spent this year. . . I recognise that in order to achieve my aim some combination of politically unpopular courses would have been necessary. I nevertheless regard the limitation of Government expenditure as a prerequisite to the stability of the pound, the stabilisation of prices, and the prestige and standing of our country in the world."

Politicians do not lightly jeopardise their careers. When three knowledgeable men of integrity — one holding the second highest political office — have simultaneously taken so drastic a course it is prudent to keep the reasons for it ever in mind.

In the event their patriotic self-sacrifice was in vain. Led by the Prime Minister, the inflationists won the day and expenditure has continued on its upward path ever since. What this means is perhaps best explained by recalling the stark picture painted by Mr. Enoch Powell three months before he resigned. He said at Wednesfield on October 4, 1957:-

"The public has got to make up its mind which way it wants it. We could go ahead and spend on all the desirable things a Government can think of, from power stations to pictures, and pay the price with roaring inflation and devaluation of the pound.

"If this is not the result the people want — and it is certainly not the result the Government is prepared to contemplate for a moment — then public spending and public borrowing must be limited to what we are prepared to finance by real savings and real earnings and not just by printing extra banknotes."

How the Chancellor proposes to meet this increased expenditure will be known about the time this is published. Predictions are thus as unnecessary as they are unwise. This year, with the General Election fortunately behind him, he need not attempt to reduce taxation while increasing expenditure. In the circumstances the most one can hope for is that last year's "economic recovery" will continue so that current tax rates will yield a higher revenue. But if that is not possible, it would be better to increase taxes rather than to resort to further borrowing or to renewed inflation. The cost of servicing the National Debt (£27,458 million at March 31, 1959) already imposes so heavy a strain on taxpayers, that nothing should be done to increase it. Debt increased by £144 million in the year following the Treasury resignations. The fiduciary issue (of unbacked promissory notes) has been increased from

£2,050 million (early January, 1958) to £2,150 (February 10, 1960).

The practical way to retrench is for the government to mount a determined attack on economic privilege and to sell the nationalised industries. In this way Budget expenditure could be reduced by hundreds of millions of pounds annually. Both measures fall naturally to a government which claims to believe in competitive capitalism and it has the massive political majority which such bold policies require. Furthermore it would be in the unique position of pleasing the left while angering the right by its attack on privilege, while conversely earning the plaudits of its own supporters and infuriating the left by dismantling the state industries. Thus the political consequences ought to be roughly self-cancelling while the beneficial economic consequences for the community would be considerable.

The cost of government could be cut at once simply by allowing goods to enter the country duty-free. Even *reduction* of duties, as an interim measure, would make a useful contribution to the problem. Prices all round would fall and the government, as the biggest buyer in the country, would reap the greatest benefit. Because money would buy more, the political pressure to increase family allowances, pensions and the like would slacken and could be more easily withstood. Other inflationary pressures would be similarly reduced and so would demands for price-rising wage increases which leave those who secure them no better off and impoverish the rest.

Vitally necessary though it is that imported goods should be untaxed, the untaxing of home production and earned incomes is even more essential.

Although few outside the Georgeist movement would go so far as to say that all taxation should be abolished, there is probably nobody who would not like the taxes *he* pays at least reduced. (Many of course are quite willing to see the other fellow's taxes increased.)

The sworn enemies of capitalism, whatever they may publicly profess, are delighted by the high level of taxation. Certain categories of land owner — notably speculators — and take-over bidders are broadly content with matters as they are and so, presumably, are those in the tax-evasion industry. These are about the only people who benefit from the government's continued failure to tax land values.

In varying degrees, most other people would gain if the cost of public services was progressively transferred on to the site value of land. Until a step is taken in this direction, government expenditure will rise and rise and rise, whatever the complexion of the party in power and no matter how vociferous are the protests.

When finally the step is taken — as it will have to be eventually — it should be possible to cut wrongful taxation by something like £2 or £3 for every £1 derived from land values. This would come about in part because of the consequential cheapening of land and of production costs, in part because of a simplification of the costly tax struc-

ture and in part — perhaps the most important — because land-value taxation raises the general level of real wages. This would make possible great savings in welfare expenditure. Higher wages coupled with a continuously expanding economy would enable the Chancellor to cut the *rates* of income and other taxation proportionately more than he could at first afford to cut total expenditure.

As the benefits percolated through to every section of the community the demand would come from the mighty to the humble, whatever their politics, for a further instalment of this liberating tax which makes the poor rich without making the rich poor.

NOTES OF THE MONTH

Wings For Taxes

IN nine years Conservative governments have handed £430 million to the aircraft industry. During the same period the state received only £24 million in royalties on aircraft sales. Now manufacturers are to receive increased aid from taxpayers. The flimsy official justification is that the industry is adversely affected by reductions in military orders. (This implies that universal disarmament, if ever achieved, may not ease the taxpayers' burden.)

Announcing the new plan in the Commons on February 15, Mr. Duncan Sandys (Minister of Aviation) commended the recent amalgamations which had been made at his prompting. The mergers would strengthen the industry, promote rationalisation and improve employment opportunities. More likely: with domestic competition blunted and the taxpayer as a sleeping partner the industry will be less venturesome and more extravagant. Their products are for sale at home and abroad. Yet, the Minister said, foreign competition is intensifying. It is likely, then, that nationalised airways will be compelled to buy British machines although better or cheaper foreign models are available. And if competition abroad is really keen machines will have to be "dumped" at below production cost — anything rather than allow the industry to contract to an economic size.

Why cannot aircraft factories be retooled to make washing machines, refrigerators and other domestic appliances for which there is demand?

SHIPOWNERS ALL

DO you want to buy a nuclear-powered merchant ship? Whatever your answer shipping interests argue — in effect — that you should be compelled to contribute towards the cost of research into nuclear propulsion. They cannot afford to do so themselves — it is much too expensive.

The proposal appears in the annual report of the Chamber of Shipping published a week after the plan to help aircraft manufacturers was announced. The Chamber

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