

plight of ratepayers, he sees only the harm done when production and incomes are taxed. Perhaps he may be excused for urging that the tax spanner in the works should be re-positioned. But this dangerous local sales tax nonsense must be vigorously opposed.

For far too long society has stumbled from one expedient to another, replacing evils by here a lesser one and there a greater. It is time to approach the whole question from a different standpoint.

A tax on land values, whether imposed and collected nationally or locally alone fulfills the criteria which Mr. Howell has provided. It is efficient because it is cheap and easy to collect. It is fair both absolutely and relatively: nobody is mulcted by it of anything to which he is morally entitled; payment can be neither evaded nor avoided and both the rich man in his castle and the poor

man at the gate contribute towards the upkeep of society at the same rate, without regard to their personal circumstances and other irrelevancies.

By stimulating production and competition and freeing machines, goods and incomes from taxation a tax on land values raises living standards so that more people have more to save. By discouraging mere speculative investment in land, and by cheapening land, it promotes investment in buildings, plant and machinery.

By reducing undeserved poverty and undeserved wealth, and by these other means, a tax on land values brings into being more property in the true sense and leads to the widest possible ownership. Such a measure deserves the thoughtful attention of all who, like Mr. Howell, would try to save Britain from drowning in the tax morass which threatens to engulf and destroy our society.

NOTES OF THE MONTH

Conservocialist Transport

A TAX-EATING white elephant bequeathed by the Labour Party is one reason why Government expenditure is so enormous. We refer to the nationalised transport system. The White Paper (Cmnd. 1248) reveals that by the end of 1960 the total deficit was about £500 million and that it is increasing by about £100 million a year. Additionally, more than £100 million is being invested annually on the railway modernisation programme.

Obviously this cannot and must not be allowed to continue. Equally obvious is the solution: the whole system should be broken up into units and sold. The total investment is said to amount to nearly £1,600 million; if only one-half or one-quarter that sum were realised the exercise would still be attractive to taxpayers.

In private hands service would improve immediately, investment would continue and certainly the bulk of the people employed at present would remain at work in the railway and other transport services. Competitive transport undertakings would seek to attract new custom instead of driving freight and passengers on to the roads by for ever raising their charges. Many branch lines, now uneconomic and being closed, could be kept open if users were willing to pay fares commensurate with the cost of the service provided.

An alternative and better solution is not practicable in present circumstances. However there is no reason why those circumstances should not be changed. This is that the land and attached heavy capital, such as track, stations and signal boxes, should continue to be publicly owned, as are the roads with their ancillary equipment, traffic lights, bridges, and so on. The cost of maintaining and augmenting these basic requirements should be met out of a levy on land values since public transport

greatly enhances the value of the land it serves. Rolling stock, etc. would be sold by tender and competing private companies would operate services as the coach companies do on the roads. They would have to pay a rent for the opportunity to use national property but would (or should) be exempt from tax on either their capital or materials—coal, oil, etc.—or their earnings. State, taxpayers and transport users would all benefit and the pressure on the roads would be lessened. This, too, would ease the taxpayers' burden, and help manufacturing industry, to say nothing of saving lives and limbs.

The Government has shied away from anything so radical. Transport is to remain nationalised and to be merely reorganised.

The financial situation of the British Transport Commission and the railways is admitted to be so serious that they cannot now carry on without large-scale support from the Exchequer. A drastic scaling down of debt is said to be urgently needed to give the railways a new start. The net capital liabilities of the B.T.C. are approximately £2,000 million. Some £1,600 million relates to the railways. The Government proposes that of this £400 million should be written off and £800 million placed to suspense account where it will carry neither fixed interest nor fixed repayment obligations. The railways will be left to pay interest on the remaining £400 million plus certain other liabilities and new borrowings.

The Treasury will assume all responsibilities for existing British Transport stock (£1,400 m.) in the hands of the public. What this means is frankly stated in the White Paper: "*These heavy liabilities, though removed from the railways, will not have ceased to exist. They will only have been transferred to the public in another*

form since they will fall upon the Exchequer." Even so, "the Government recognise that the task before the railways is a very formidable one . . . Increases in fares and charges must, where and when appropriate, make their due contribution towards meeting railway costs."

The proposed new administrative structure is intended to secure more effective management and to foster financial discipline. The need for both could hardly be exaggerated. There will be a British Railways Board, vested with the railway assets and responsible for the capital debt, which will perform those functions which are essential to the running of the railways as a whole. There will be separate autonomous regional boards, and boards for the canals, docks and London Transport.

A number of undertakings already in company form, including British Road Services and British Transport Hotels will be grouped under a new Holding Company responsible to the Minister. The present statutory restrictions on the development of freehold and leasehold property will be relaxed. The railways generally will be freed from statutory control over their charges except where "London Transport and British Railways have a virtual monopoly of public passenger transport." The monopoly is to be preserved. That apart, although they afford no comfort to taxpayers and precious little to travellers, the White Paper's proposals are sensible.

If real Conservatives ever wrest power from the Tory-clothed socialists now in office, their task of returning public transport to private enterprise will be facilitated by the changes now proposed.

PAPER-MONGERS STANDING BY

ALARM and assurances were nicely reconciled by Mr. Selwyn Lloyd, Chancellor of the Exchequer, speaking at Liverpool on January 10. It was the old medicine from a new bottle. People who talked of stagnation should be reminded that 1960 was a year of high output and economic vigour, he said. No cause for worry there. But "no one in this world owes us a living", he told the Merseyside Chambers of Commerce. Whether his hosts, hard-headed businessmen, evinced surprise is not reported. If we did not earn a living by hard work, "it's goodbye to dreams of expansion and social progress." Other platitudes followed, more fitted for the launching of a paddle pleasure boat. They need not be repeated.

Dashing any hopes that Government expenditure may be reduced or even held at present levels, Mr. Lloyd gave a warning of large increases in Government estimates for the coming year. "Of course, every wage increase pushes them up—police, engineers, civil service, etc. but the real reason is that we have embarked, by the will of an overwhelming majority, upon social developments of great size and importance." Constant effort was needed by all partners in industry to create an atmosphere in which restrictive practices were seen to be old fashioned and the emphasis was on saving labour or increasing efficiency and on being competitive. That was the way to reduce costs.

Playing "lets pretend," as in duty bound, Mr. Lloyd spoke as though Britain is not presently, and has not been recently, troubled by inflation. How he squares this with the steadily rising volume of the fiduciary issue and generally rising prices is anyone's guess. Be that as it may, he detected "danger signals" that inflation may be returning, and sounded solemn warnings. Each post-war Chancellor has done the same, and all to no avail. The reason is simple: neither employers, employees, the self-employed nor the workless are able either to generate inflation or to prevent it.

Workers can demand, and receive, increased wages. If this is not accompanied by increased production, the goods they make are thereby made dearer to buy. But this does not affect the general level of prices, nor the volume of money in circulation. In any event, wage demands as we have come to know them generally follow, rather than precede a fresh burst of inflation.

By eliminating competition, some manufacturers are able to charge artificially high prices. But this also does not affect the general price level or the money supply.

If no one were at the tap, surreptitiously running new pound notes into circulation, higher prices for some goods (whether induced by combinations of workmen or of manufacturers or by taxation) would simply leave people with less to spend on other goods. This might cause short-time working, unemployment, the introduction of new techniques to reduce production costs, or a determined bid to find new markets overseas. But it would not, and could not debase the currency or, to use the genteel front parlour language of today, cause inflation. The government alone is the culprit: it is time it behaved honestly and stopped seeking scapegoats.

The Chancellor said that it would be wrong for the Government to think in terms of higher tariffs or quantitative restrictions; they would be of no help to our export trade. We did not want a society in which the State was the universal provider, with precise equality enforced for everyone, whatever their talents or however hard they worked. Among Britain's principal needs for 1961 was "the will to work, the Government here having a part to play in considering whether the burden of taxation was rightly distributed."

THE PLUCKED GEESE SQUAWK

THE Institute of Taxation, in representations to the Chancellor of the Exchequer, has called for the abolition of Schedule A income tax on property and the raising of the surtax exemption limit, which has remained at £2,000 for 42 years. Surtax, it claims, "bears with special severity on the income group of £2,000 to £3,000 a year. This group includes a considerable number of the executive and professional classes, who are of great importance in the economic life of the nation." Aims of Industry, Ltd., campaigns tirelessly for the surtax exemption limit to be raised.