

gard to house building by the public? Why, the high price that the nation and later the occupier has to pay just for room on which to build a house in a country of hundreds of thousands of square miles in area. That is the National Housing Corporation's great difficulty, and that also is why private capital looks askance at house building. It is the high price of land...

Expenditures from the public treasury of the Dominion of Canada for 1959 amounted to about \$6 billion. How can an individual lay up capital when the Government takes from him one-third to one-half of all his gross earnings? How can a corporation gather the capital that is required for extension of its operations or for founding a new enterprise when the Government carries off 45 per cent of its profits annually?

If our Government is sincere in its expressed desire to cure this vexed problem of unemployment by the promotion of enterprise there are several things which should be done. First we should lower our tariffs in order to promote trade, for trade is one of the great factors in our economy. Only by buying abroad can we sell abroad the products of our lands, of our forests, of our mines and of our cities; only by buying as well as selling. Accordingly we should lower our tariffs rather than raise them.

The test of the usefulness of an industry is whether it can make its way at a profit. If an industry must depend upon other industries for its profits or upon inflated prices of the things it sells, it is not an asset to the community, it is a liability. All industries should be subject to that test. The workers who are employed in a losing industry should go into one more suitable to this community.

Next, we should cut down our governmental expenditures and live within our means. This business of piling up great debts is a terrible thing. I repeat, we should live within our means. Think of it: we are spending \$1,600 million a year on national defence. Much of that is pure waste.

As to welfare expenditures, I think they are our best money. Without such money as unemployment insurance benefits, mothers' allowances and old age pensions, we would face a drastic situation in this country that would far exceed in its ruinous character the amount of money we are spending on welfare. Aside from welfare, however, we should reduce the fantastic amounts which we are spending and we should cease in that way to deplete the capital of our citizens.

We should lower the income tax. We should lower the tax on corporations, and so leave more of corporate profits for capital expenditures, in order to build up enterprise and absorb labour.

Finally, we should study the shifting of the burden of taxation from the fruits of enterprise and labour to the fruits of monopoly, chiefly to land values. Let us so encourage industry and, at the same time, so discourage the holding of national resources out of use, that we will cure the vexed question of unemployment.

MAY & JUNE, 1960

## Former Chancellor's dynamic speech during the Budget Debate "State Spending Must Be Cut"

MR. PETER THORNEYCROFT did not think that the Chancellor had room to reduce taxation. Nor did he think that Mr. Amory was lacking in courage and commonsense to take the position as it was and try to do the best with it. "I want to talk about the policies that led him into that position" and which would undoubtedly lead the country to that position in the future unless something was done about it.

"We have had two years of considerable prosperity, described in glowing terms by the Chancellor of the Exchequer: investments, incomes, consumption, production, wages, profits, savings, revenue, exports—all of them up, and all of them up with stable prices. That is a very satisfactory picture, and I think that everyone can claim a share in it—the technicians, the workers, the managers, the boards, my right hon. Friend himself: even, perhaps a little low on the list, those whose measures two years ago did something to re-establish faith in sterling may claim a modicum of credit."

The Chancellor and the so-called authorities were right in their judgment that they were faced with an emergent crisis and that it was better to act soon rather than to act late. "The only thing is that that action, action in this budget to the extent of imposing additional taxation this year of some £40 million might have been matched by some reduction in the increased expenditure of £350 million on a Budget of £6,000 million... Have we really got it so good that we can never hope for effective and consistent lowering of taxes without running into another crisis?"

### VICTIMS — OR ARCHITECTS?

The Government could represent themselves as "strong men battling against undeserved adversity". Alternatively, "they can say that they are the architects of the situation: that they're rather proud of it; that they like it; that this rather drab Budget and these threats of restriction are the price we pay for continuing expansion. The Chancellor lent rather to the first approach, the President of the Board of Trade rather to the second...

"Last year we budgeted for a deficit of over £700 million. We planned to spend a great deal more money. We plan to spend a great deal more money this year. We are embarking upon a round of wage increases backed by demands for a shorter working week, and, at the same time, under the pressure of demand, competition for labour in the factories is driving up current earnings." Yet it was unlikely that production would continue to increase at last year's pace. Against that background one

did not have to look very far to see the origins of the situation or the necessity of the present Budget.

Mr. Thorneycroft recognised "the pressures of the Government to spend for defence, a noble cause, though one sometimes wonders whether we are all that safer for spending an extra £100 million, to spend for roads, always popular and if for roads then for railways—true they may run parallel with the roads—and another £1,000 million is planned for investment in them."

Then there was the Health Service and education. The cry was now 'education at any cost'.

"Then there is the Welfare State peculiarly designed for the early years of the present century; indeed, directly attuned to this situation of widespread unemployment and poverty which was endured during those years—but any reflection upon that is regarded in certain circles as a dirty word."

### IRRESISTIBLE CLAIMS

These emergent and growing claims had been irresistible. During the last five years of Conservative Government spending has gone up by something like £1,000 million. "Naturally, during part of that time and largely under the pressure of this spending the value of the £ has been going down, and this year against the background of stable prices a planned increase of £350 million is contemplated."

In a sense, all these objectives of expenditure were justifiable and desirable. "But the truth is that we must either pay for them or give some of them up. It is the attempt to get them for nothing or to try to get them at something below their real cost that has driven this country inexorably over the years from one crisis to another."

Referring to his resignation two years ago, Mr. Thorneycroft said that the public relations of the Government had found it convenient to spread the story that he had left for what they called 'a mere £50 million'. "I observe that today, in conditions of incipient inflation, the sum has risen to £500 million." The truth was that he had parted from his colleagues not on figures, but on principle. His view then and now was "that the interests of the economy as a whole should be put above the interests of the individual spending Departments. I hold the view that the avoidance of the risks of inflation, or the defence of the £ as it is sometimes called, should not only be stated to be a priority but that we should act as though it were a priority. I hold the view that the Government have spent, are spending, and certainly planning to spend a great deal too much money."

Offering advice, Mr. Thorneycroft did not pretend that it would be popular. He urged the Government to keep their eyes fixed not on the development areas but on the country as a whole where the unemployment figure was

dipping below 2 per cent. "Spend by all means—this is not always agreed—in the development areas, with special aids to Scotland or elsewhere, but do not try to run the whole country as though it were a declining coal mine somewhere in South Wales, because if we do that it will soon become like a declining coal mine in South Wales.

### TAX REDUCTION

"Secondly, give an assurance now that in the most highly taxed country in the world tax reduction forms an important part of Government policy, and not only that it forms a part but that it is the determination of the Government to include the taxpayers in a high place as claimants in the future.

"Thirdly, let us have a little more frank speaking about what the Government intends to spend. If the existing policies mean increased spending this year, next year and in the years to come, then much better say so."

Unless and until both the Prime Minister and the Chancellor were prepared to plan the country's spending and to set some limits to it, present defence and other policies would continue to cripple us with all the side effects on the rest of the economy which were so well-known.

### BORROWING AND INFLATION

The economy could not be run without periodically borrowing very large sums from the British public. "We cannot borrow that money unless the public has confidence in the British Government. If once the suspicion gains a hold that inflation is regarded as something which is tolerable or, at any rate, the avoidance of it is put not as a first priority in high quarters in the British Government, they could lose that confidence and perhaps lose it for a very long time. I say this with all urgency to my rt. hon. Friend; he is much nearer to that point than he should be for comfort at the present time."

These minority opinions were held by other people in the country. They would "prefer to cut our coat according to our cloth; to ask for rather less or something a little nearer to the cost of it; to live honestly up to our overseas obligations; to avoid the intermittent cries from one year to another; to see the Government themselves take the advice which they offer to others in exercising some modicum of restraint. But the leadership, the suggestions for saving, the limits on spending, cannot come from back-bench Members in the House of Commons; they can come only from the rt. hon. Gentleman himself."

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