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MR. HUGH DALTON'S BUDGET

By HIS Budget introduced on April 9, the Chancellor of the Exchequer estimates to spend in 1946-7 the sum of 3,887 million pounds, which is made up of taxation in the amount of 2,918 millions, supplemented by 150 millions from the sale of surplus war stores, 93 millions of miscellaneous revenue and 726 millions of borrowed money.

In the previous financial year the deficit, or the amount derived by borrowing, was 2,200 millions, and now that war expenditure has been so much diminished, the Chancellor is able to do several things—to reduce taxation somewhat, to switch expenditure into the new and increased "social services," and at the same time arrive at the considerably reduced deficit of 726 millions. The tax reductions are, however, small. They affect income tax by certain increased reliefs and allowances, estate duties by exemption of estates of less than £2,000, and the purchase tax by removal of certain articles from that exaction. On the other hand estate duty on estates over £12,500 is steeply increased. The result of the changes is a net tax-reduction of 32 millions in the present year and 72 millions in a full year. This is apart from the reduction from 10s. to 9s. in the £ in the standard rate of income tax which was adopted in the Finance Act of last October, and took effect in April of this year; but at the same time the rates of surtax on incomes over £2,000 were increased.

For the rest, the Budget is no different from what we have been made accustomed to by previous Governments. The purchase tax will continue to yield 150 millions, entertainments 50 millions, petrol and motor vehicle duties (the taxation of transport) 105 millions, sugar, tea, etc., 44 millions. The income tax is to produce 1,191 millions, and other inland revenue 495 millions. Alcohol and tobacco consumption will account for 827 millions. All the protectionist and preferential tariffs remain untouched, a Labour Government equally with its predecessors complacently permitting these barriers to penalise and obstruct trade for the conferment of special privilege and the mulcting of the consumer.

War expenditure is falling off, but peace-time expenditure will increase during the next few years as the burden of social insurance, the national health service, subsidies for housing, the raising of the school-leaving age and other social changes take effect. It is, therefore, evident that post-war government spending will be on a much higher level than pre-war.

The increase in the surtax on higher incomes and of estate duty on large estates may be regarded as steps towards equalising the distribution of wealth by means of taxation, or as some less delicately put it, "soaking the rich." If in the end there resulted a substantial redistribution of wealth, the efficacy of the income tax and the estate duties as means of raising revenue would be substantially impaired, and other sources of taxation would need to be found.

Moreover, heavy rates of taxation do have some effect upon the incentive to produce, and may in that way be injurious to the national economy. This aspect of the budgetary problem has engaged the attention of successive Chancellors of the Exchequer. Recent Finance Acts made provision for increasing the deductions for depreciation of capital permissible in computing liability for income tax. This was intended to be

an encouragement to the renewal or replacement of capital. In his present budget the Chancellor of the Exchequer has announced the end of the excess profits tax, although this has no appreciable effect upon the revenue of the present year as the tax is collected much after the period in which the liability accrued. This again is done in order to increase the incentive to produce.

Pleas were made in several quarters of the House for the abolition of the system of Pay as You Earn, by which income tax is collected from wage earners, upon the ground that this discouraged men from working. Although the Chancellor refused to accede to this, he is increasing the earned income allowance from one-tenth to one-eighth, and the wife's earned income allowance from £80 to £110.

These may all be regarded as admissions of the repressive effect of taxation levied upon earnings, especially when that taxation reaches very high rates.

But we look in vain for any recognition of the distinction between income due to the ownership of natural resources and that due to the exertion of labour and the investment of capital. Nothing is being done to recover for the community any part of the unearned revenue which accrues to owners of land by the activities of the state, the municipality, and of the whole producing community.

On the contrary, legislation is being passed which will add to the landlord's harvest. Larger subsidies are being given to encourage the building of houses, and these subsidies are graduated upwards according to the price of land. High prices for agricultural produce are being guaranteed to the farmers with inevitable repercussions on the value of agricultural land. In this budget the Chancellor is proposing to set aside £50,000,000, to be the nucleus of a National Land Fund for the purpose of acquiring land for the state. In a fervid peroration to his speech he talked of this as a memorial to those who lost their lives in the war. He referred to the Budget of 1909 and the Land Song, "God Gave the Land to the People," coupling this with a reference to the leader of the Opposition (Mr. Churchill) as one of those who sang it. Mr. Churchill interrupted with the remark: "I shall sing it again." It did not seem to occur to either of the Right Honourable gentlemen that the Land Song did not advocate buying the land from the landlords, but making them pay taxes on the land value.

If the principle is admitted that taxation is a means by which industry can be promoted or discouraged, then it is clear that a further readjustment of our system of taxation is overdue. No time can be more opportune for making the necessary changes than the present, when it is so imperative to do all in our power to encourage the production of the consumer goods of which the people have so long been deprived. Moreover, it is easier to effect the necessary alterations at a time when the over-all burden of taxation is being reduced.

The use of land is the foundation of all production. It must therefore follow that the proper course to adopt is one which will on the one hand ensure that land becomes available for use as and when it is required, and that the development of it for housing, industrial and commercial purposes

is not penalised. The simple and effective means of securing this is to require owners of land to pay taxation upon the value of the site, and to relieve from taxation the buildings and improvements which are put upon it and also to relieve the exchange of wealth from the tariffs, purchase taxes and other imposts which now impede it.

Here we may add a word about the need for reform of local taxation. All over the country increases of rates are already taking place, and this is merely the forerunner of what must continue in the next few years. At the moment when the Government is embarking upon a vast programme to encourage the building of houses and is subsidising municipal housing to a much greater extent than ever before, the burden of local rates upon houses, new and old, is increasing and so frustrating the effort to deal with the housing problem. In this field there already exists a large measure of agreement that rating of site values is the way out. Many of our local authorities, including some of the largest, have asked for this reform, and it is not too much to expect that the Government, if it is in earnest in its efforts to deal with housing, will bring about a reform for which there is now ample precedent and experience in the British Dominions and elsewhere.

RETAILERS AND DE-RATING

THE INDEPENDENT Traders' Alliance, holding their Annual Conference in Cheltenham, April 22 and 23, 1946, adopted resolution as follows:

"That this Delegate Conference of Independent Traders calls upon H.M. Government to repeal forthwith the De-rating Acts for the following reasons:—

- (a) The De-rating Acts have proved to be entirely ineffective in achieving their original purposes, namely, to stimulate industry, assist Depressed Areas, and equalise rating burdens throughout the country.
- (b) The De-rating Acts confer unnecessary benefits at public expense upon certain privileged industries without advantage to the community at large.
- (c) The De-rating Acts create serious deficits under the Government Block Grant System in those areas where industry is expanding or new industries are introduced. These deficits have to be made up by increasing the rates levied on the general body of ratepayers, of whom shopkeepers form the greatest individual element.
- (d) By restricting the basis of rate revenue, the De-rating Acts throw extra and heavy burdens on the general ratepayers in areas where health, educational and other social services are expanding.

This Conference is furthermore convinced that a sound De-rating Policy would relieve houses, shops and buildings and all improvements to property and land from taxation, and would transfer correspondingly rates and taxes to the site value basis."

The resolution was moved by Mr. Ed. Gallup and seconded by Capt. J. Wilman. Mr. Sydney Needoff, Manchester, who had taken a special interest in the matter was unfortunately unable to attend, but he submitted to the Executive a memorandum in support of the resolution of which they duplicated copies and circulated it to the delegates and the Press.

The membership of the Independent Traders' Alliance now exceeds 10,000, mainly drawn from Lancashire, Yorkshire and the Bristol and Birmingham areas.

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A VILLAGE IN NOTTINGHAM

IN THE seventh year of the reign of George III an Act of Parliament to enclose the common land of Carlton-in-Lindrick, Nottinghamshire, was passed. Three commissioners were appointed to divide up the land and parcel it out to the various claimants.

The work must have been difficult, because one commissioner died before the enclosure was complete. Certainly there is evidence of its thoroughness. To-day, the map of the division, along with details of eighty-nine awards, is to be seen at Carlton Rectory, where these titles to land are carefully preserved. There is roll upon roll of parchment carefully penned, and here and there are to be observed scratchings out and substitutions of dimensions in darker ink.

The story of the parchment is that Carlton Common, of almost 2,500 acres, which belonged to the people in 1767, passed into the hands of a few in 1768. The lion's share went to Will Mellish—a matter of 1,084 acres. The rector was a bad second, receiving only 462 acres, 1 rood, 27 sq. poles. The only filly in the race, Elizabeth Gally, received 320 acres; then came the also-rans: a Mr. White enclosed 116 acres; Cowlshaw, 92; Shuttleworth, 85; Metcalf, 78; Kirk, 75; G. Machin, 7½; Whitehead, 5½; Hill, 2; and G. Hopkinson, 2. The Churchwardens received 2½ acres in trust, and 3½ acres were set apart for a stone-pit for the repair of the roads.

After that time, the family of Mellish prospered, owning a large residence, Hodssock Priory, and becoming of such repute that a street in a colliery village has been named after them. Few colliers will give a thought to-day to the fact that they are forced to descend from the sunlight, working in dust and danger, because they have no free land to act as an alternative place of employment. Their natural bargaining power in the struggle for higher wages and better conditions has been broken, so they can only trust in trades unions and work in the pit, anyway.

The documents relating to the enclosure are carefully guarded in the rectory. To view them, one must make application to the reverend gentleman himself. Even then, they, like the hymn books, are not to be taken away.

Much of the stolen common is in the hands of a colliery company to-day and it is scheduled for development according to a plan of the Council's. That which can be bought for building sites may be bought for 1s. 9d. per square yard, equivalent to £423 10s. per acre for that which was stolen. More than that, coal seams have been worked beneath for twenty years. Tremendous sums must have been appropriated as royalties. To-day, that land is used for agriculture and is situated at a good distance from buses and shops.

The local builder, Mr. F. L. Walker, offers the unsolicited information that if building is carried out, the sale of sites will make fortunes for landowners. He is not sure that he will be able to build as a private individual. Bureaucracy and insecurity are a great deterrent in his case. He says that there is no shortage of labour; builders and labourers are unemployed in the nearby town of Worksop; in fact, an experienced builder's labourer, who had been out of work for twenty-three weeks, called on him to ask for a job.

Mr. Walker's argument, that insecurity is holding up building, cuts both ways. The purchaser can feel no security, the builder none, the labourer none. Security left this village when the commons were stolen.

E. A. B.

"Half the logic of misgovernment lies in this one sophistical dilemma. If the people are turbulent, they are unfit for liberty; if they are quiet, they do not want liberty."

—MACAULAY SPEECHES, "Parliamentary Reform," October 10, 1831, in vol. i, p. 83 [T. '53].