

## PARLIAMENTARY DEBATES

### WAR BUDGET PROPOSALS

*House of Commons, 28th September*

MR GORDON MACDONALD (Ince—Labour): I think the Chancellor has overlooked certain sources of revenue. He still claims to be a member of the Liberal party, which has taken a great interest in the land question for over a quarter of a century. I should have thought he might on this occasion have become a Liberal in reality and remembered some of the things that he himself said in pre-war days, when he made some reference to the fact that there were people who were making substantial amounts from land, but who made no contribution to the taxes. The value of land is increasing enormously day by day. The demand for land by the War Department is very heavy to-day and prices have increased in consequence. I should have thought that a Liberal, whose interest in the land question before the last war is well known, would have had some regard to it in this war and placed a small tax on land values. The right hon Gentleman would be perfectly entitled to take the whole of the increased value, but suppose he had said that he would not be extortionate but would take 2s. in the £, that would have left 18s. for the landowner.

The right hon Gentleman was an eloquent advocate for the taxation of land values and now he has his opportunity of imposing it to meet the serious difficulties with which he is faced. He has had to revert to all kinds of devices to find the necessary money, and he will have to revert to more in future. In pre-war days he himself felt that there was a certain section of the community taking more than its fair share of the wealth of the country and making no contribution to create that wealth. Will he tell the Committee why he did not go to that substantial source for money now? I am told that a 10 per cent tax would bring him in £50,000,000 a year. He cannot afford to disregard such a source of income. He may tell me later that the people about whom I am talking are the people he is taxing and who in the main will pay the increased Income Tax and Surtax, that they are also the people on whom he may call for a capital levy. He may say that he has not forgotten them but that he preferred the direct way of dealing with them. They will not need any human sympathy or have to queue up for public assistance even if he imposes this tax. The Chancellor may not be able to do it now, but this may not be the last war Budget, although I hope that victory will come soon so that we shall not have to have another. I would like the Chancellor to look into this question when he is looking for additional income. This is a good nest-egg, and when the Chancellor goes to it he will give real satisfaction throughout the country, except to the individuals who will have to pay. There are powerful influences against the land tax in this Chamber and the other, and I am sometimes afraid that those influences keep the Chancellor back.

### FINANCE (No. 2) BILL

*House of Commons, 2nd October*

COL JOSIAH C. WEDGWOOD (Newcastle-under-Lyme—Labour): Almost all the taxes in this Budget must fall upon the production of wealth. I do not care on whom they are levied in the first instance, the ultimate result of the taxes makes the production of wealth more expensive. It restricts supply by increasing the price and it increases the price by restricting the supply, so that all the taxation in this Budget certainly falls in the long run upon the production of wealth. In the name of many of my colleagues on this side, and I believe in the interest of common sense, I ask the Chancellor to consider whether he cannot at least in his next Budget, begin levying a tax upon land value, which will impose no additional burden upon production whatever. A tax levied on goods increases the price of the goods and is borne by the consumer. A tax levied upon land value is not levied upon production. Land is not produced at all. A tax levied upon land value cannot increase or diminish the supply of land. It does not restrict the supply of land available for use, and therefore does not increase the price of the land. In fact it does the reverse. Not only does it not restrict the amount of land available for use, whether it is used or not, but it increases it. It is thrown on the market, if you punish the man who keeps nature idle, thereby forcing him to come into the market and beg someone to use his land. That increases the supply of land available for use and enables goods to be produced actually more cheaply.

The argument is irresistible in time of war, because vested interests cannot be allowed to stand permanently in the way of the public interest in production at such a time. It is irresistible because we cannot have the profiteering which will go on if the value of the £ sinks and the price of land continually rises in consequence. Profiteering in this war may very well be as bad as the profiteering in the last war was in the defeated countries. There was one case in Hungary of property mortgaged for £20,000. It was mortgaged

up to the hilt, but they paid it off after the war with a postage stamp. The actual value of the land had not changed, but the selling value in depreciated pengos had increased enormously. That is what happened also to landowners in parts of Germany. All their mortgages were wiped out by the inflation. We cannot allow that to happen in this country, and the only way to stop it is for the Chancellor to realize that his taxes on industry increase the price of goods and destroy our chance of increasing the export trade, and that we must levy the tax or part of it on that land value, which is a measure of the demand of the community for the land. The ownership of land will otherwise lead to more profiteering in this war than all the armament factories and shipping companies combined.

MR R. R. STOKES (Ipswich—Labour): I would like to comment on behalf of a great number of Members of the House, on the absence from this Bill of any taxation of land values. The House should recognize, as a great number of Members on the other side do, that this is the justest tax that could be introduced, especially at this time. I will not go into all the merits of it, but there are four particular reasons why I think that this job ought to be tackled at the present moment. The first is that it will have a tremendous effect on the cost of the war. Land is required for everything. Up to the end of this year the Air Ministry expect to spend some £2,000,000 on 40,000 acres of land. That is roughly £50 an acre for land which has hitherto been regarded as useless and valueless, and has not contributed in any way to the State.

SIR ARNOLD WILSON: Why does the hon Member say that it has been valueless?

MR STOKES: I can only say that it is considered so because it does not pay any contribution to the Exchequer.

SIR A. WILSON: It is good agricultural land.

MR STOKES: I agree that it is at £20 an acre, but to pay £50 when it has been de-rated during its previous ownership seems preposterous. The 130 acres of land required for the Nuffield factory at Birmingham cost £84,500, that is, at the rate of £650 an acre. For educational purposes 105 sites comprising 290 acres were bought for £220,000, or an average of £800 an acre for land which hitherto had made no contribution and could be regarded as agricultural land at £20 an acre.

My second reason is that the land tax, unlike any other tax, is the only one that will stimulate trade. A tax on manufactures checks production; a tax on houses and buildings prevents development; a tax on commerce prevents international trade, and it is the taxes on commerce and the operation of the ridiculous nonsense which we have gone through in the Ottawa Agreement which are largely responsible for the present tragedy. If a tax is put on capital the price of production goes up. I would like to quote to the Chancellor some of his own words on this subject. When he was asked what was the difference between taxing boots and taxing land, he said:

"If you tax such a thing as boots you make boots more expensive, because the more we tax boots the fewer boots will be produced, fewer people are able to buy them and fewer people will be employed to make them; but if my friend will think this over for only one minute he will see that you can tax land until you are black in the face and you cannot make land any less than before."

The third reason why such a tax would be of great assistance to the Chancellor is that it would get him out of the rating difficulty. All over the country the rating system is breaking down. I would like to quote two instances where the land monopoly in one instance in my constituency is adding pounds to the rates. The local council decided to build a fire station, and naturally did not put it slap in the middle of the most desirable residential district. They chose a place between an artificial manure factory and a sewage works. They required 40 acres and had to pay a sum which worked out at an average of £150 an acre for land that was utterly useless except as agricultural land. When complaint was made, the local valuer said that they were very lucky to get it at that price.

My fourth reason is that this tax is the surest and best way of dealing with the main problem with which the country will be confronted when the war is over. Sooner or later we shall have to change over from a war to a peace economy, and the way to do it is to see that the resources of the country are put to their best advantage in the shortest possible time. Listening to the Chancellor the other day I could not feel anything but despair. It seemed to me that he was snooping round the dustbins of taxation like a pie-dog looking for bones with bits of meat on them and terrified to penetrate into the larders of the rich where the big joints were. I hope that when he introduces his Budget next year he will have the good sense and courage to return to his old convictions and do away once for all with the land monopoly in this country which is the main cause of the evils we are facing.