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Profligate Paternalism

THE Budget proposals are consistent with modern Conservative practice and philosophy. They rest on a number of false assumptions. Chief of these is that it is the task and duty of the Government to control and direct the economy. The Chancellor and his coterie of Treasury advisers are presumed to know when, where and how best to stimulate or restrain the economic activities of millions of their countrymen. Sedulous propaganda sustains this political hoax by identifying economic freedom with the "bad old days" of poverty and unemployment under "laissez faire". The wise men in Whitehall judge that this year the merest touch on the guiding reins is needed to check what they like to think of as the "ebullient" economy. Mr. Amory constructed his proposals accordingly, reinforcing them with dark hints of further, unspecified action yet to come if circumstances require.

The second major false assumption is that "the nation" has demanded, and therefore must be provided with an array of extremely costly services. This is humbug. An unfair voting system secures that either the Labour or the Conservative Party is returned to power; both parties bid for votes by promising to spend heavily, and the Whip system ensures that the winning party keeps its pledges.

Whether in fact "the nation" wants this tax-and-spend policy is an open question. In any event it should be irrelevant. It is surely the duty of the Chancellor to conduct the nation's finances in accordance with the highest principles. One of these is that expenditure must be kept within the bounds of income.

It is courting difficulty, if nothing worse, to plan deliberately to spend more than one has. Yet once again that is what the Chancellor has done. He expects to have to borrow £318 million compared with the £721 million budgeted for (and £314 million actually borrowed) in the year just ended.

This, however, does not take into account the cost of implementing the Royal Commission's recommendations on doctors' and dentists' salaries, which the Government has

accepted. Further, although provision has been made to meet the cost of the recent 5 per cent interim increase in railway wages, nothing has been set aside for the further increases which are in prospect. Supplementary estimates or even heavier borrowing seem inevitable especially if the cost of roads, weapons and the like continues to soar above the estimates. Recently, however, while the Government has been borrowing from small savers through National Savings, Defence and Premium Bonds, etc., it has been having to buy back its securities from the banks.

An assumption that should not pass uncontested is that *private* spending somehow is inflationary. In fact it is nothing of the sort. If it were, the same would be true also of government spending. Yet, Mr. Amory seemed to suggest, the latter is desirable and necessary. In fact inflation has to do with the supply of money and credit, not with spending.

Equally audacious and ill-founded is the implicit assumption that the methods used last year to raise tax revenues were about the best the wit of man can devise. Aside from certain minor adjustments which may be ignored here, the Chancellor recommends that practically all of last year's taxes should be reimposed unaltered. At the instance of Portugal he has reduced duties on certain wines. Entertainments duty on cinemas has been demolished, though too late to help the many the tax has closed. The "personal allowances" of certain income taxpayers have been slightly increased.

For increased revenue the Chancellor has raised the duty on tobacco leaf by 3s. 4d. a lb. (2d. on a packet of 20 cigarettes). This will yield an extra £40 million in a full year. To the delight of the Labour Opposition he has also increased profits tax—by 2½ per cent—to 12½ per cent. While this will of course produce revenue—£1 million this year and £40 million next year—the Chancellor represented it more as a psychological measure. It would influence the decisions of managements and thus would have an immediate effect on the economy and on consumption and expenditure, he said.

To the extent that profits are unduly high, protection and inflation are responsible. Logically it is these twin evils, not one of their reflections, which should be attacked. He would have liked manufacturers to have reduced their prices instead of increasing their profits, yet that would have further stimulated consumer demand which he is now anxious to damp down. Prosperity is a fine vote-winner but a post-election headache. How very confusing it all is!

Tax avoidance received attention as it does in every Budget speech, and the Chancellor made proposals designed to frustrate those who have been slipping through the tax net. He has also closed the hobby-farming loophole so that it will no longer be profitable for City businessmen to run farms at a loss. This may tend to reduce the price of such farms, though not markedly.

Broadly, however, the tax jungle remains undisturbed, an affront to reason, an obstacle to production, a breeding ground for deceit and fraud and a stamping ground for bureaucrats. Income taxation will continue to deter and

penalise all who work, tariff taxes will continue to make goods dear and to check competition and progress, purchase taxes will continue to distort production, and to raise prices. Countless other taxes will similarly raise both the cost of living and the cost of government, and give rise to problems which will call forth new, costly expedients.

This is as wrong as it is foolish and unnecessary. Ideally the country's finances should be conducted on the principle that only publicly-created revenue should be used to pay for government services. For practical and political reasons that principle cannot be fully applied overnight. Yet it is open to any Chancellor to take the first step towards switching taxes off private property (the products and rewards of mental and physical effort) and on to the site value of land. His failure to do so makes Mr. Amory blameworthy to that extent. There was never a hint, of course, in his long, far-ranging survey of the economy that the communal fund of land value exists. One might almost think that production takes place in the air since the land received never a mention.

Notes of the Month

MUNICIPAL DEMANDS FOR LAND-VALUE RATING

SEVEN municipal councils have recently reaffirmed their earlier support for legislation to levy rates on land values only. They are the County Boroughs of Gateshead and Wigan, and the Boroughs of Aylesbury, Leigh, Pontefract, Stalybridge and Wood Green. Some are known to have informed the Ministry of Housing and Local Government accordingly.

This action has been taken in response to a request to 75 local authorities from the non-party Rating Reform Campaign which was launched in January by the Land-Value Taxation League. Several other councils have the question under consideration or on the agenda. Shortly a further group of councils will be asked to define their attitude. Meanwhile each British reader is requested to write at once to his or her Town Clerk to ask that the council shall pass a resolution supporting the demand for legislation to levy rates only on the unimproved value of land.

This is a simple, practical way to help the rapidly growing campaign for reform. Other ways include writing to your M.P. and local editor and distributing the new leaflets which have been produced.

LIBERAL PARTY PAMPHLET

ATTRACTIVELY produced and cogently reasoned, a sixteen page pamphlet just published by the Liberal Party deserves the widest circulation. Uninspiring and misleading though its title, *Land Taxation*

presents facts and arguments familiar to most readers of this journal. Mr. John G. Walker, a Yorkshire manufacturer who made four attempts in the fifties to enter Parliament as a Liberal, explains the why and the how of land value taxation with such matter of fact reasonableness and scrupulous objectivity that no fair-minded person could fail to be favourably impressed. While contending that the present "jumble of expedients" which passes for a rating "system" should be replaced by the rating of land values, Mr. Walker points out that the land value policy may be applied less or more generally. Himself an honours graduate in economics, he enables the lay reader to see the distinction between property and speculation in land on the one hand and in stocks and shares, and why a land value tax cannot be evaded or shifted. Overseas experience is cited to prove that the recommended reform is both workable and beneficial. Not least of the virtues of this "measure of social justice" is the contribution it would make towards building the roads Britain needs.

LONDON'S LAND RENT BRIDGES

NEITHER taxes nor rates are needed to maintain the City's bridges across the Thames. They are a charge on a land rent fund started in the Middle Ages, perhaps even before 1179 A.D., which today is administered by the Bridge House Estates of the City Corporation.

This was the subject of an article by Felix Barker in the *London Evening News* last month. Parcels of