

MR. LLOYD GEORGE ON LOCAL AND IMPERIAL TAXATION.

In his speech in the House of Commons on the 11th March on Mr. Hayes Fisher's amendment to the Address, the Chancellor of the Exchequer discussed with great freedom the relations of local and Imperial finance and the method of raising revenue for local purposes, foreshadowing a "very drastic change" whenever the problem came to be dealt with. He indicated that this change would involve an entire departure from the present practice of giving subventions out of the Imperial Exchequer to local authorities, than which he said there was no more "futile and mischievous" method of dealing with the problem. This did not mean, however, that each local authority should continue to raise local revenues to the same degree or for the same purposes as heretofore. There was not only the "vital question" of extending the areas over which local taxation was imposed, so as to distribute the burden more fairly between the heavily rated parishes of the poor and the lightly rated parishes of the rich. There was also the question of the Exchequer paying more largely toward the cost of such services as poor relief, education, police, and main roads. And the proposal to relieve local rates in that way raised several very important considerations. It is a proposal to increase taxes; upon whom, therefore, is the transferred burden to fall? On what principle should the money collected for this purpose by the Exchequer be allocated? What control should the House of Commons have over the expenditure? These and other questions Mr. Lloyd George put to the House without venturing to outline a policy by way of reply. His speech, however, was an enlightening contribution to the discussion of these problems and was significant evidence of the attention he has been giving to the subject.

Still greater satisfaction is to be derived from the opinions Mr. Lloyd George expressed with respect to the reform of local taxation apart from its relation to Imperial taxation. "I think," he said, "a local authority ought to have its choice of two or three subject-matters of taxation. What these subject-matters should be I do not propose to indicate at present. I have in my own mind an idea as to what you might very well allow local authorities to impose taxation upon." He then proceeded to indicate the subject-matters upon which local authorities should *not* impose taxation. He rejected the "local income tax," and followed with a criticism of the rating of improvements which could hardly have been stated better by the Lord Advocate himself. Mr. Lloyd George said:—

"An improving landlord now contributes more towards the rates than a man who neglects his duties as a landlord. A landlord who builds good farm buildings is instantly, I do not like to use the word penalised, but I do not know a better word, by paying more to the rates. . . . He has to pay heavier rates because he has done his duty by his tenant and by the community. . . . There ought not to be a system which, *pro tanto* at any rate, directly discourages improvements upon property. I have heard many manufacturers say the same. The moment you have a manufacturer who has got modern ideas and wants to improve his machinery and bring his premises up

to date, down comes the local assessor and increases his assessment. To that extent it is a discouragement of improvement, whether in agriculture or any other industry."

This declaration, though stated in a negative form, certainly clears the ground and defines the issue. There should be no local income tax, and a system should be established which does not discourage improvements. What then is left but the rating of land values? There is no way of freeing improvements from local taxation except the adoption of the value of the land as the basis of assessment. The only questions that remain are the justice of imposing rates on the value of the land and the social and economic advantages of the change, and these questions are easily answered. For the value of land is a public value due entirely to the presence, growth, and enterprise of the community. It is, therefore, the proper subject for assessment to rates, irrespective altogether of the use to which the land may be put; and the effect of the change by exempting improvements from taxation and preventing the withholding of land would remove the primary cause of overcrowding, high rents, and a restricted field of industry.

The proposal to take land value as the basis of assessment offers a ready solution for the problem of the relations of local and Imperial taxation, which, properly considered, is simply the problem of the comparatively poorer areas with a low rateable value being obliged to find an altogether disproportionate share of the cost of what are really national services, namely, education, poor relief, main roads and police. It would be unjust, and in some cases impracticable, to let each local area rely on its own land value to provide revenue for these services in addition to purely local services. Land value is national as well as local property, and the poorer areas have a right to share the high land values of the wealthier areas. Thus, the "vital question of areas" resolves itself into making the United Kingdom one rating area in respect of these national services, and the levying of a national tax on all land values in order to equalise burdens now borne very unequally as between one rating area and another. We are aware that this policy leaves other problems to consider, such as the allocation and the control over the money so collected, but they are matters of administration which should cause little difficulty and do not affect the broad principle. Our concern meanwhile is that in the "drastic changes" that are contemplated taxation shall be imposed on a just basis, and that the Liberal Government shall find this basis, not in the property that rightfully belongs to the individual, but in the property rightfully belonging to the whole community.

A. W. M.

The same thing happens with us as happens under the Eastern potentates, only in place of slave-owners we have landlords and capitalists. We have changed the name but not the thing. Men are now called free, but are still as mercilessly "owned" as ever. We have apparently only progressed in a circle.—Charles Daniel, *INSTEAD OF SOCIALISM*.

When he refused to pay taxes after Government followed him to the forest, it was out of no abstract opposition or dislike to society—he was the last man to act from sentiment; he asserted that there was still a sphere where Government had no right to follow if a man could only find and fix it, and where it did despite to itself by the assertion of its power.—THOREAU: *HIS LIFE AND AIMS*.