LAND & LIBERTY

Journal of the United Committee for the Taxation of Land Values, Ltd.

Sixty-second Year. Established June, 1894.

By Post 10s. per annum.

Editor: A. W. MADSEN.

Assistant Editors: V. H. BLUNDELL and P. R. STUBBINGS.

4 GREAT SMITH STREET, LONDON, S.W.1.

Telegrams: Eulav, Parl, London. Telephone: Abbey 6665.

APRIL—MAY, 1955.

THE CHANCELLOR'S TRIFLING PROPOSALS

Mr. Butler's fourth Budget speech, April 19, was an exercise in casuistry. Economic freedom and expansion he extolled as ideal concepts, but he made proposals that will leave privilege and existing restrictions unbreached. While making welcome-enough minor reductions in the rates of income tax and one trifling reduction in the universally condemned purchase tax, he has budgeted to collect £116 million more from income taxes and a further £58 million (of which latter sum £28 million is in respect of purchase tax) from Customs and Excise duties during the new financial year.

Eloquently he remarked: "It is only by looking outward, by expansion, by liberating the human spirit to give and do of its best, that our island people can survive." How profoundly true—give men freedom to produce, to exchange and to retain unscathed the value of their labour and present economic problems will evaporate as the morning mists.

"In a world of selfish and protectionist lobbies"—Mr. Butler's own words—it might be said that the Government had been engaging in ineffectual idealism, trying to recreate the ideal conditions envisaged by Adam Smith and Cobden. In fact, the Chancellor asserted, the Government's policies had been "open-eyed in their realism."

The Government had no wish to smother the new spirit in British industry which was transforming the approach to production problems. An excellent sentiment! The Chancellor himself had no difficulty in choosing between policies of restriction and of expansion; emphatically he chose the latter. Fresh incentives must be sought that would stimulate output and productivity.

Industry, commerce and organised labour had offered almost unlimited advice; many deputations had been received, particularly from various interests affected by Customs and Excise duties. They led the Chancellor to the obvious conclusion that the sheer burden of taxation was too great. Both from the personal angle and from that of industry, he said, Britain was one of the most heavily taxed nations in the world.

The logical destination to which these and similar categorical assertions pointed is obvious. They should have culminated in a Finance Bill providing for at least the first steps towards the collection of the economic rent of land; the repeal or drastic reduction of Customs duties; the repeal of the purchase tax and reductions in other Excise duties; and substantial reductions in the income tax. But this is a counsel of perfection and far too radical. Let us look at actualities.

Land values received no mention; officially either they are deemed not to exist or alternatively they are regarded as sacrosanct. Labour, industry, trade, consumption, and the rest may be taxed to varying degrees with propriety, but perish the thought that land-values should be touched.

Tariff taxes remain unaltered. Last year receipts from duties levied under the Import Duties Act, 1932, amounted to £62 million, exceeding the Budget estimate by £6 million. This year the Chancellor looks to these duties to provide £70 million.

One minor exception apart, *indirect taxes will continue* to damage the economy, limiting production, adversely affecting quality, inflicting particular hardship on those with small incomes and large families. Momentarily the Liberator's mask was dropped, revealing the stern face of the economic planner. Reduction of indirect taxation, said Mr. Butler, "would encourage spending at home and so risk diminishing our export effort." As a mother might restrain a child from spending its pennies on harmful trash, gently suggesting more sensible purchases, the Chancellor will save us from ourselves, gently but firmly preventing what he regards as unwise purchases made with the residue of our wages left by the tax gatherer. But sitting at his desk in 11 Downing Street, with his finger on the economic pulse of the country, the Chancellor has decided that the time has come for people to buy rather more—but not too many—piece goods and sheets, towels and other household and textile articles made of cotton, linen, rayon, and other non-wool materials. Accordingly, at "an annual cost to the Exchequer" of £3 million—a trifling sum—he had reduced the purchase tax on these items from 50 per cent to 25 per cent. The change was effected by a Treasury Order laid on Budget night. It is to be observed that this solitary relaxation was not undertaken by the Chancellor in his rôle of "Liberator" or out of consideration for hard-pressed consumers, but solely as evidence of the Government's desire to help, as he put it, Lancashire and Northern Ireland where, due to a variety of causes, including the harmful incidence of purchase tax, mills are on short time and some are closed. It recalls previous eleventh hour reductions in purchase tax rates designed to save particular industries virtually threatened with destruction by the tax machine, and provides its own comment on the competence of those who meddle with the national economy.

The brief Finance Bill contained the rest of Mr. Butler's revenue proposals. They reduce the standard rate of income tax by 6d., from 9s. to 8s. 6d., and each of the lower rates by 3d. What are euphemistically known as the "allowances"—that is to say, that part of one's income which the tax collector is instructed to disregard—are increased, and certain alterations are made to the so-called "bands" of income at which the different rates of tax are applied. As a result of these changes taken together, nearly 2½ million people will be relieved of direct taxation and industry will be relieved of an annual burden of rather more than £40 million. Mr. Butler looked to these alterations to provide "most positive and heartening encouragement to all, employers and workers alike, who can contribute energy and enterprise to the development of the economy." So boundless was his lyrical enthusiasm for the good that would accrue as a result of this diminutive reduction—"much needed and much deserved"—that it is entertaining to picture the language he might employ if, having "seen the cat," he were to join the editorial panel of this journal to make known the economic benefits offered by untaxing labour, industry and trade consequent upon collecting the economic rent of land! That pleasantry aside, we should record that Mr. Butler has placed us all on our honour not to spend the tiny fraction of our incomes which he has been pleased to leave in our keeping. Sounding for all the world like a stern school ma'am he said: "I trust those who benefit to save rather than spend as large a proportion as possible of what they gain. The heavier the present burden of tax, the greater the relief and, therefore, the greater the opportunity to save." Those whose minds have not been deadened by the self-righteous moralising of successive post-war Chancellors will resent Mr. Butler's impudent presumption. He should devote his energies to securing a stable currency, leaving to the individual the right and responsibility of deciding whether to enjoy his wealth now or to postpone enjoyment. That decision will be influenced more by confidence in the future purchasing power of the pound sterling than by Ministerial exhortations.

It is neither necessary nor possible here to follow each point made in the Budget speech. Much of it was devoted to consideration of the balance of payments problems that arise solely and inescapably from arbitrarily fixing rates of exchange. Repeal of exchange control, the most powerful weapon in the economic planner's armoury and a boon to protected interests, would disperse all such problems expeditiously. Then there would be no more a balance of payments problem between the United Kingdom and the United States or any other country than there is between England and Scotland.

From the welter of figures with which Mr. Butler laced his speech, we select the following: Total revenue last year was £4,738 million, which exceeded his estimate by £205 million. Income tax at £1,893 million exceeded the estimate by £93 million and formed the largest item in the Inland Revenue receipts of £2,541 million. Customs and Excise duties yielded £1,872 million, £90 million more than had been expected. Chief items and the amount by which they exceeded the estimates were: Purchase tax, £342 million (£47 million), Tobacco duties, £650 million (£17 million), beer, wines and spirits, £390 million (£9 million), tariff taxes, £62 million (6 million). Expenditure had been £218 million less than had been anticipated and this, combined with a budgeted surplus of £10 million and revenue receipts £205 million in excess of the budgeted estimate gave a surplus of £433 million. During 1955-56 receipts from all sources are expected to total £4,844 million, that is £106 million more than was collected last year, and expenditure at £4,562 million is likely to exceed last year's expenditure by £257 million. The following increased tax yields are anticipated: Income tax, £116 million; profits assessed under Schedule D, £7 million; purchase tax, £28 million; tobacco, £10 million; tariff taxes, £8 million. Small decreases are expected in respect of excess profits levy, surtax and duties on alcoholic drinks. Death duties at £185 million and stamp duties at £74 million will yield about the same as last year.

The largest items in last year's expenditure were defence, the social services, and food and agriculture. Production grants paid direct to farmers to help them to meet their bills for lime, fertilisers, etc., amounted to £54 million. Agricultural price guarantees, together with a small amount for related trading services, accounted for another £163 million, to which must be added £29 million, the net cost of the price guarantee on milk for the ordinary consumer, making in all £246 million, the cost of supporting what is known as "our" home agriculture. A further £41 million was paid in respect of the bread subsidy and £36 million for welfare foods.

P. R. S.

SECOND THOUGHTS ON THE PURCHASE TAX

Surprising Sequel to the Budget

Purchase tax on non-woollen textiles, reduced from 50 to 25 per cent by a Treasury Order laid on Budget Day, April 19, was repealed by a further Order a fortnight later. The decision was announced in the Commons, May 3, by Sir Anthony Eden, Prime Minister. It would, he claimed, encourage production of quality textiles for sale at home and abroad, and bring substantial benefits both to Lancashire and Northern Ireland. At the same time Sir Anthony informed the House that India had that day reduced its tariffs on imported cotton textiles from between 60 to 80 per cent to 25 per cent (plus a specific duty of 5 per cent which applies equally to Indian producers). Resisting pleas from Lancashire, the British Government had decided to take no steps to limit imports from India or any other part of the Commonwealth.

Less than a week earlier, Mr. Butler had explained to the House with "absolute frankness" why he could not repeal the tax. In part it was because that would have led to "considerable difficulty in dealing with the wool aspect." Those difficulties remain, and understandably the Wool Textile Delegation at Bradford despatched telegrams post haste to the Prime Minister and the Chancellor protesting at the Government's "grave mistake" in failing to extend any similar concession to the woollen textile industry, especially as such action would deprive the Exchequer of only £1 million a year.

The Cotton Board issued a statement pointing out that the bulk of the home trade in textiles finds its way to the consumer through made-up garments and these were not affected by the two Treasury Orders—"the deterrent to the production of quality goods which alone can increase exports will be as before." Other bodies voiced similar protests and the *Manchester Guardian* in a leading article, May 5, described as untrue and "a swindle" the claim that the concession would benefit Lancashire and Northern Ireland. "A few, a very few, mills may benefit. The vast majority will not." For the Opposition, Mr. Herbert Morrison described the move as a miserable piece of political humbug.

STREET WIDENING IN INVERNESS

The Price of Land

Our correspondent in Inverness, Mr. J. C. Stewart, solicitor, informs us that there is a building at the junction of Castle Street and High Street, Inverness, part of which is being demolished to widen both streets. When provision has been made for this street widening there remains a site of 1,200 square feet, which was offered for sale at public auction in March. The highest bid received—£15,600—failed to reach the "upset" or reserve price, and therefore there was no sale. The site is by no means the most valuable in the city and it is interesting to note that although one person was prepared to pay as much as £15,600 for 1,200 square feet—which is roughly equal to £117 per square yard or more than half a million pounds an acre—another was prepared to hold the land idle in expectation of receiving an even greater amount in the future.

This is the kind of information that the city assessor may well take note of when, as we hope at some not too distant date, he is called upon to make a valuation of all the land in the city for the purpose of levying rates thereon.