

THE BUDGET AND WHAT NOT TO TAX

SPEAKING ON the Budget Proposals in the House of Commons debate, 26th April, Mr. F. C. R. Douglas said:—

It is a proper object of fiscal policy to encourage the greater production of wealth in this country, and it may be that the relief which is given to the smaller enterprises which are subject to the Excess Profits Tax will have that effect, because it will give a greater incentive to those who own and control them to extend and to develop their enterprise.

The concession which has been promised by the Chancellor in respect of depreciation of plant, equipment and buildings means, in effect, that the State is going to subsidise, to the extent of 20 per cent. or to the extent of the difference between 20 per cent. and the amount of allowance which would be given under the existing system, the installation of new plant and machinery. The total amount involved in this, during the first years immediately succeeding the peace or armistice, may be in total an enormous figure. Where is the money to come from in order to meet this deficiency of revenue? If these concessions are made in the depreciation allowances, and, consequently, in the amount of taxation which is levied upon industrial and productive enterprises of all kinds, it must inevitably follow that the amount of the reduction of taxation which other payers of Income Tax will be able to expect is correspondingly diminished. It means that the ordinary workmen and salaried employees will have to contribute towards this concession, which is given to certain classes of the population, and I want to remind the Committee of the extent to which indirect taxation has now risen. It is an enormous tax, spread over the population, but it is taxation which, from its very nature, must inevitably fall with heaviest effect upon those least able to bear it, and every concession of the nature which the Chancellor indicated will tend to retard the reduction of that taxation which is falling with so very great effect at the present moment. As I have said, I accept the general proposition that it is proper for the State to encourage production, if it can do so. I want to suggest to the Committee that sufficient attention has not been given to the foundations of policy with regard to that. Our system of taxation has treated as absolutely identical, income from land values and income from the investment of capital on buildings, machinery and plant, whereas the one is entirely due to general community influences and the other to individual effort and expenditure. This matter is of exceptionally great importance at the present time, when the nation is faced with a very great shortage of housing, when it is necessary that the building of houses should be encouraged as much as possible, and they should be available to those who occupy them at the lowest rents which can be achieved. As long

as our system of taxation, local as well as national, continues to impose a very large burden upon the provision of housing accommodation, it will be difficult, and increasingly difficult if present trends of taxation continue, to provide that accommodation in the quantity and at the rents at which it ought to be provided. There is a field of reform in which the Chancellor, if he would, could do something of the very greatest value towards encouraging industry generally not merely by the relief of taxation upon the produced articles, but by a general levy of taxation upon land, whether it is used or whether it is not used, in order to ensure that it will become available for use without being held for speculative purposes and will become available for use at a reasonable price.

This Budget contains no increase of taxation but it does, in effect, contain a threat of an increase in taxation, because the Chancellor has intimated that he contemplates reducing the amount of the subsidy which has been given for the purpose of keeping down the cost of living. If that Exchequer assistance towards keeping down the price of food or other essential commodities is withdrawn, in whole or in part, it is virtually equivalent to an increase of taxation and one which will fall most severely upon those who are most necessitous. There is no justifi-

cation for the course of action which he is proposing to take unless it is based upon the argument that the price level has changed and that the rates of wages have got out of proportion with the prices of commodities. That is simply a statement that inflation is already taking place in this country. If that is so, it is the business of the Chancellor of the Exchequer to stop it at the source and not to attempt to readjust matters at the expense of those in the community who are most necessitous. That is not the way in which the problem should be tackled. It is distinctly an alarming position to see that the Chancellor of the Exchequer has, in effect, made the admission of the existence of inflation, and that he does not propose to go to the root of the trouble, but proposes to take a step which is likely to have the result of speeding on the process of inflation by calling for more increases in prices. It would be far better if the Chancellor of the Exchequer would apply the methods, which to a great extent have been applied successfully hitherto, of increasing taxation and diminishing spending power rather than that we should pursue the opposite course of allowing spending power to increase, increasing the amount of money in circulation, raising the general price level, and making the whole readjustment of our economy for the post-war situation more difficult than otherwise it would be.

THE COUNTY OF LONDON PLAN

WHEN WE reviewed this proposal (August, 1943) we mentioned that the London County Council had adjourned consideration of it until the comments of bodies affected by it had been received. The following extracts from a report adopted unanimously by the BATTERSEA BOROUGH COUNCIL on 29th January last deserve to be put on record:—

It will be evident that existing legal powers of planning are entirely insufficient to enable a plan of this magnitude to be carried out, and in particular that present procedures for the acquisition of land are too dilatory and expensive. With all possible improvements in these respects the Plan will still be extremely expensive to implement, even although its complete realization is spread over a long period.

The responsibility for executing the Plan rests upon the County Council, and the cost will fall upon the County rate. To the extent to which it increases the rate payable in each borough it will impinge upon the amount of rates which can be raised for other purposes. So far as the Plan influences the cost of housing and other services administered by the boroughs it will also affect their financial position.

The proposed reduction in density of population will reduce the number of ratepayers who have to defray the costs of local government. No corresponding diminution of those costs is, however, to be expected. In particular, the expense of executing the Plan so

far as it consists in acquiring land for new or widened roads, open spaces, and other purposes will be largely determined by the standard of values created by the existing population, and not by that set by a future reduced population. It is to be hoped that the advantages of the Plan, and economic progress generally, will eventually lead to compensating increases of land value.

The existing system of local rating and town planning affords no effective means of securing for the community which has to bear the cost any share of the land values created by the Plan. We are, therefore, of the opinion that it is urgently necessary that some system of local rating of site value, such as that contemplated by the County Council in its London Rating (Site Values) Bill, 1938, should be brought into effect.

Such a measure would not only have the result of securing a proper recoupment to the community of values created by public expenditure, but would also have other beneficial effects. It would, for example, in providing a uniform and general valuation of sites, supply a standard by which claims for compensation for land acquired could be measured and excessive claims avoided. In so far also as it relieved houses and other buildings and improvements from local rating it would encourage the provision of more accommodation and conduce to a lower level of rents.