

income for its purposes, mere restraint in the rate of development falls far short of what is required to establish a flourishing and expanding economy. It is obvious that although some reduction in the level of farm subsidies may be expected in due course, the Government intends continuing on its present irrational course of making foreign food scarce and dear and, in effect, if not by intent, of reducing incentives to maximum production on the best land while encouraging uneconomic production on marginal and poor land. Ultimately the beneficiaries of that policy, as has been repeatedly demonstrated, are those who are able to appropriate the economic rent of land, either by virtue of owning their holdings or because they pay less than the market rent for their land. In between are the monopolistic rings which exploit the farmers' artificially increased ability to pay. The farm subsidies should be drastically reduced immediately and withdrawn at the earliest opportunity. Nor need the social services and national insurance be regarded as politically sacrosanct. A Tory Chancellor could safely double the shilling charge for prescriptions which his Labour predecessor imposed, and if at the same time he removed the purchase tax from medicines, people would be less tempted to use the health service every time they want a bottle of linctus. Expenditure on national insurance could also be reduced and economic freedom increased by permitting those who wish to do so to contract out of the scheme.

#### *Wilful Gift to Land Monopoly*

The annual sixty-year Exchequer subsidies paid to local authorities in respect of existing municipal dwellings amount at present to £47 million a year and as each new council property is erected the annual burden is thereby increased. The Government has decided not to reduce that burden, but merely to arrest the annual rate of its growth by altering from £22 to £10 per annum the sixty-year subsidy to be paid on all future "general purposes" municipal dwellings. The new Bill providing for this and other alterations to housing subsidy rates is briefly described in another column. It will be noted that the reductions that are being made are largely offset by increasing the subsidies for dwellings built for other than "general purposes" so that the Government itself cannot say what the net result is to be. The Bill perpetuates the amazing practice of relating certain subsidies to the cost of land bought by the local authorities, a wilful gift to the all-prevailing land monopoly by which the very land that should make the greatest contribution to municipal income, in fact, imposes the greatest burden on the taxpayer. It is a savage comment on the Chancellor's assertion that his proposals had been framed so as to create a healthier economic climate—and that by every section of the community exercising restraint.

Local councils have been asked to restrict their expenditure on both current and capital accounts, and in support of that request the Chancellor announced various monetary measures to be taken which will both relieve the Exchequer and compel local authorities to consider more carefully how the money is to be found before incurring new commitments. Those which are able to borrow on their own credit will in future have to make full use of the stock and mortgage markets and the Treasury, for its part, will continue to bring local loans rates into line with prevailing market rates.

The rest of the Budget speech consisted in the main of a medley of minor window-dressing measures designed to effect very slight reductions in government and nationalised industry expenditure, and to raise postal and telephone charges by £26 million a year. This severe additional burden on production which the Chancellor declared is necessary to

bring charges more into line with costs will, of course, be passed on to the consumer in yet higher prices. One other point. Manufacturers, merchants and all who together form what is called the "private sector" of the economy are asked to restrain their expansion and activities. This can only mean less production, less wealth, fewer things to buy. So the wheel will turn until we are all impoverished into prosperity. Such is the Utopia Mr. Butler has pictured in his supplementary Budget just six months after preaching the need for expansion and extolling the beauties of economic freedom.

P. R. S.

## "Irrelevant and Unnecessary"

During the House of Lords debate on the Economic Situation, November 1, LORD DOUGLAS OF BARLOCH said:

It is agreed that the troubles from which the country is suffering at the present moment are due to inflation. That is the thesis of the Chancellor of the Exchequer; it is accepted, I understand, by the ex-Chancellor of the Exchequer, and I do not gather that it has been contradicted by anybody who has spoken to-day. But if that is true—and I personally agree—then surely the autumn Budget is quite irrelevant to the situation.

Inflation is not a budgetary phenomenon, it is a monetary trouble. It is true that it may be connected in some ways with budgetary problems. It can arise if a Government, instead of raising the taxation which is necessary in order to meet its expenditure, expands the note issue or the circulation of credit. Conversely, if inflation has taken place it can happen that the amount of revenue which is being obtained out of the Budget is no longer sufficient to meet expenditure upon a higher price level. In those ways, it is true that inflation is connected with budgetary policy. But it is quite untrue to say that it can be put an end to by fiscal measures, because it does not arise out of them and is not directly connected with them.

Here is the curious position in which we stand at the present moment. It is not suggested that there is any great difficulty in balancing the Budget. The amount of extra revenue which will be obtained in the remainder of this fiscal year is a relatively small amount and, therefore, these measures are not required for purely fiscal reasons. We are told that purchase tax is being increased in order to prevent people from spending—or rather that what it will do is to prevent them from getting as much for the money which they do spend. It will not prevent them from spending, but it will divert part of what they spend into the Exchequer. What is the result of that? It is an addition to the cost of living.

#### *The Probable Consequences*

It is all very well for the Chancellor of the Exchequer to say that increases in taxation should not be made the basis of claims for increases in wages. In principle, that doctrine is absolutely true; but every one of us knows that when prices are raised as a result of indirect taxation of this kind, the ordinary man and woman is quite unable to know how much of the increased price which he or she is paying is due to extra taxation and how much is due to other causes.

If my memory serves me correctly, I believe that in the compilation of the cost of living index indirect taxation, such as the purchase tax, is taken into account as part of the prices by which the cost of living index is determined—one of those things which, in all wage negotiations, is most fre-

quently referred to. So the result of this increase can quite easily be to encourage more demands for wages and to nullify the policy which is embodied in the Budget, even so far as it goes.

#### *Reduce Taxation*

Far better would it have been to pursue a totally different policy: to reduce expenditure and the taxation which falls upon commodities in this way. After all, in an economy in which production is increasing year after year, the natural consequence ought to be that the price of commodities should gradually but steadily fall, and if that happened a great many difficulties would be mitigated. It would no longer happen that the level of pensions, of fixed incomes and so on, would be pressing against a rapidly increasing cost of living, causing demands for higher sickness, pension and other benefits. If it is the fact, as it is, that in our economy, which is expanding and in which production is increasing from year to year, instead of the general level of prices falling it is rising year after year, there can be no clearer evidence that inflation is at work. It will not be remedied by the proposals which are made by the Government, whether budgetary or extra budgetary.

It may or may not be right to look at the subsidies which are being paid out of the Exchequer for housing. I, personally, would not deny that it is quite a mistaken policy to subsidise the rents of people who are perfectly well able to pay a fair economic rent. It is true, on the other hand, that this system has been in existence for a long time, and it will require great skill and care to readjust it without inflicting hardship upon people whose lives have been adjusted to it and some of whom are in a condition in which it might bear hardly upon them. But, in principle, no doubt it is something that ought to be looked at.

#### *Farming Subsidies*

If that is looked at, there should also be equal consideration given to the subsidies which are paid out of the Exchequer, to a much larger figure, to agriculture, in which exactly the same kind of needless expenditure occurs. Everyone knows that when you guarantee prices for farmers you are guaranteeing prices both for the marginal producer and for the producer who can carry on perfectly well without them. If the one problem is going to be dealt with, the other ought to be dealt with, too. If a substantial saving could be made in the amount of money which is paid out of national taxation in unnecessary and useless subsidies, it might be all the more easy to reduce that taxation which falls indiscriminately and with the greatest hardship upon the poorest people—indirect taxation which is levied through purchase tax.

Therefore, on every ground I say that these proposals are mistaken and are not directed to dealing with the real problem. It arises because either the circulation of notes or the circulation of credit is increased. The Government possess ample powers to deal with these matters. They control the note issue. They control the Bank of England. They are able to regulate the monetary and credit circulation of this country without an autumn Budget and without fresh legislation of any kind. Therefore, these proposals are quite irrelevant and quite unnecessary for dealing with the problem of inflation.

#### **REMINDER TO READERS**

Those who would like to see "Land & Liberty" grow are invited to send names and addresses of any who may be prospective readers. Sample copies will be sent without charge.

## Any Old Iron?

Enterprisingly different from the generality of smugglers was Mr. John McKenna who appeared recently before Mr. Justice Aarvold at the Old Bailey. Instead of stealthily bringing into Britain compact or easily divisible commodities for which there is a general demand, but which taxation places beyond the reach of many people—such as watches, jewellery, cameras, tobacco and spirits—Mr. McKenna had been openly sending out of the country the bulkiest of tax-free objects for which there can be little demand, nothing less in fact than rusty old steamrollers, steam tractors, etc.

Fit only for the breaker's yard, these derelict machines would have fetched only about £7 a ton in Britain, but in Belgium as much as £28 a ton can be obtained for scrap iron and steel. Obedient to the dictates of commercial practice, and perhaps influenced by reiterated exhortations to increase exports from Britain, Mr. McKenna bought in the cheapest market and sold in the dearest, exporting the engines to scrap yards at Ghent.

The export of machinery is officially encouraged and those who engage in such trade are regarded as the saviours of the national economy, but scrap iron and steel must stay in the country, presumably to afford a sectional privilege to British iron and steel masters. And so the schizophrenic Board of Trade, which both promotes and restricts exports by its regulations, obliged Mr. McKenna to practice deception and made a criminal of a trader; he circumvented the regulations by falsely declaring that each of the 67 steamrollers, etc., he exported were machines worth more than £40 a ton.

Questions in the House, a visit to Ghent by two Customs officers, and the full process of the law were necessary before the man whom the protectionist state had made a criminal could be brought to book. An Old Bailey jury found him guilty, on October 11, on six charges of evading the prohibitory regulations governing scrap metal, and four other charges of making false declarations on export values. He was fined £3,150 which may be paid in six monthly instalments. Judge Aarvold is reported as having told him: "I do not think it is my duty to send you to prison, but you have been in grave danger of losing your liberty."

## Unhappy Tax Collectors

The tax collector's lot is not a happy one. According to Mr. C. T. H. Plant, deputy secretary of the Inland Revenue Staff Federation, there have been several cases of collectors being assaulted when trying in person to obtain payment of tax arrears. In country districts a farmer in arrears will sometimes set his dog on the unfortunate collector. Their employers—the Board of Inland Revenue—treat these unfortunate men little better than do their "clients." The Board will meet claims for damaged clothing or broken spectacles arising from encounters with irate tax delinquents and if necessary will grant paid sick leave, but it will accept no legal liability for any losses they may sustain in its service, nor does the Treasury insure civil servants against attacks as do many reputable private firms whose employees are engaged on debt collection. Mr. Plant said: "In bad cases we are entitled to take a police escort, but this is rarely done. The secret of tax collecting is to do it as unobtrusively as possible. If collectors are attacked the department may be generous and keep them in employment, and the department's solicitors might make themselves responsible, without charge, for an action for damages against an attacker, but this does not help if the attacker has no money to meet the award against him. It is no consolation to a civil servant who may have to retire early or lose earnings as a result of an attack."