U.S.A. and Canada
$1 a year
Established
June, 1894
VOL. LXVIII, No. 805

Land & Liberty

U.K. and Sterling Area
8s. a year
Editor
P. R. STUBBINGS
JUNE, 1961

EDITORIAL

Another Adjectival Budget

MR. Selwyn Lloyd's first essay at Budget making attracted the usual crop of conflicting press descriptions: "ramshackle" (*Daily Mail*), "lively" (*New Daily*), "inflation-ending" (*City Press*), "true blue" (*Mirror*), "counter-inflationary" (*The Guardian*), "new ideas" (*Financial Times*), "nibbling" (*Liberal News*), "see-saw" (*Daily Express*), "stern" (*Daily Telegraph*), and so on. Most have some merit but none hits the bull.

Nor can we do any better. With justice it could be called a landowners' budget for, of course, those who pocket the nation's land rental income are left in undisturbed possession, but that would not distinguish it from those of earlier years. It could be labelled "confiscatory" because, as a necessary complement, the Chancellor proposes that incomes from work, thrift and investment should be raided, and goods made dear to pay for government. Profligate, socialistic, penal and destructive are no less apt, and fatuous, irrelevant and unjust are among a score or more critical assessments which come to mind. Mr. Lloyd's speech contained features which, within their context, we approve and others we condemn. A few may be briefly examined.

There are two outstanding features, both sound and welcome. First is the decision to budget for a surplus of £506 million. Last year, the Chancellor admitted, the Government had had to increase the note circulation by £115 million and to issue £145 million of Treasury bills, both inflationary steps, and to borrow £300 million from the public to close the gap between expenditure and income. It is well that course is not to be followed this year. Second is the substantial relief to surtax payers. Mr. Lloyd accepted arguments put to him from many quarters, some unexpected, that at its then scope and level surtax was "a substantial disincentive to effort and initiative".

Those who stand four square on the equitable principle that the value of what a man produces is his by absolute moral right against all the world — which is the stand we take — cannot fail to approve of any relaxation in taxes on earned income.

Here a question of terminology arises. We regard as "earned", the money received from investing a part of a salary or wage in productive enterprises (though not in land) while the Chancellor, bound by tradition, lumps together income from investments in industry and commerce with that derived from land ownership. His surtax proposals "will give no relief to incomes derived solely from investment."

The new proposals may halt the drift away from Britain of able people — young scientists and technicians who have been educated at taxpayers' expense — and this is clearly to the national advantage. Companies will no longer be obliged to pay such fantastically high grosss salaries so as to give their managerial staff reasonable net incomes, and this will benefit consumers of their products. The pressure to evolve tax-dodge schemes, such as providing company cars for higher paid employees' private use will be eased, again to the benefit of the consumer who, in the final analysis, foots the bill.

Another probable result has escaped notice in the press. The surtax reliefs will raise still further the value of land in the better class residential districts in and around the main centres. Allowed by the Chancellor to retain a larger part of their salaries, professional people will be able to offer vendors more for houses and suitable plots, thereby bidding up land values — *not* house prices — against themselves.

Mr. Lloyd's declaration that there is "a good deal to be saved by more frugal administration" commands approval. So, too, this statement: "There are features in our system which make for inadequate rewards for initiative and enterprise. Again, some of our industries are insufficiently accustomed to competition and insufficiently aware of the need for technical improvement if they are to hold their own with their overseas competitors. The reduction in tariffs, for which we are working, may have a beneficial effect in this respect . . . Certain industries are still, in my view, handicapped by restrictive practices which are completely out of date. There is much that is good about British industry, but there is quite a lot that is not good enough."

It is not every Cabinet Minister who is brave enough to indict the Government, as, in effect, Mr. Lloyd has done here for poor administration, profligacy, restrictionism and cowardice. But how foolish that we have to win agreement from other countries to lower their tariffs before removing or reducing our own.

The Chancellor is also trying to simplify the tax system and the presentation of the national accounts. Whether or not he succeeds he deserves credit for his efforts. He would also like to cut Government expenditure. That is not good enough. If wishes were horses, beggars would ride. The annual increase should have been halted and the trend reversed, however slightly, while still budgeting for a surplus. Instead Mr. Lloyd was content to say that "all political parties are committed to a high and rising level of expenditure on education, public health, and numerous other public services" lamely adding that "we" must "get the priorities as nearly right as we can".

Deserving the strongest criticism are the proposed new "economic regulators". In our submission the Chancellor's duty should begin and end with collecting in an equitable manner sufficient revenue to pay for limited government and ensuring that the currency maintains its value. But Mr. Lloyd has been persuaded that in addition to present monetary methods — which "have their disadvantages" — "we do need further means of stimulating or restricting the economy, by measures which can be brought into operation quickly at any time of the year, and the effect of which will be reasonably rapid and widespread." So, if Parliament agrees, the Government will have power to apply either a special surcharge or a special rebate, in either case not exceeding 10 per cent., to all main Customs and Excise revenue duties and to Purchase Tax. Protective and anti-dumping duties would be excluded. Such measures would be imposed by statutory instrument requiring the affirmation of the House.

Indirect taxation is an abomination which should be swept away, not reduced one month and increased the next. Professional economists at the Treasury — most of whom fail to see any difference between things made by man and natural resources — will have a whale of a time with this wonderful new toy; they will insist on testing it as atomic scientists like to try out their handiwork. Many a business will be made or smashed as a result and severe hardship caused to the poorer stratum including pensioners, if suddenly purchase tax and customs duties are jerked up by 10 per cent. across the board. The political temptation to reduce indirect taxes just before an election and to restore or increase the earlier level afterwards may prove irresistible.

The other "economic regulator", a temporary payroll tax of not more than 4s. a week, is no better. It would bear unequally with the greatest severity on industries which employ large staffs, and would be passed on to consumers at home and would lose markets abroad. In areas where unemployment is high it would exacerbate conditions. Because of rigidities in the economy it is unlikely that men thrown out of work would travel to one of the boom towns. Extra unemployment relief payments could mop up the proceeds of the levy. It would be imposed and removed whenever the wise men in Whitehall thought necessary.

The Chancellor hinted that the powers he is seeking may never be used, but this affords little ground for optimism. They are as outrageous politically as economically and take their place alongside Mr. Henry Brooke's blank cheque to relieve domestic ratepayers as and where and to what extent he judges best, and Mr. Marples' appointment of Dr. Beeching as the rail "super-man" before the enabling Bill was presented. It is making a mockery of Parliament.

From the rest of the ragbag we select a few soiled items. The 10 per cent. tax on television advertisements will accelerate the deaths of magazines and the smaller newspapers; advertisers, not programme contractors, will pay the tax and will have to cut their newspaper advertising budgets. Motorists and owners of commercial vehicles are to be further milked on the assumption that they can afford to pay more. Some can, many cannot and dearer transport will simply make goods dearer On the principle of payment according to benefits received, motor taxation should be reduced as the roads become steadily more choked. The increased rate on fuel oil, gas oil and kerosene will also raise living costs and bear unequally. Rural dwellers and pensioners will feel the extra 2d. a gallon on paraffin and the heating bills for office blocks and houses which have switched from coal to oil will rise appreciably. The nationalised mines and railways, and hence the taxpayer, stand to gain to the extent that the tax changes encourage a switch from oil to coal. The remaining principal proposal is to increase Profits Tax by 2½ per cent to 15 per cent. The proceeds will largely cover the cost of the surtax reliefs. Said the Chancellor: "I believe that this switch of burden from the individual to companies will be generally approved." No doubt, but is that sufficient justification? And are not companies owned by individuals?

Our title affords sufficient peroration: this is another adjectival Budget.

TWO VETERANS PASS

With regret we record the passing of two outstanding Georgeist veterans — Mr. Francis Neilson, aged 95, at Port Washington, N.Y. on April 13, and Mr. R. A. Gosse, aged 81, in a Wellington, N.Z. hospital on April 19.