

NOTES OF THE MONTH

THE POLITICAL NATURE OF TAXATION

IN an examination of the Chancellor's dilemma over the introduction of a capital gains tax, a recent writer in *The Guardian* indicated the Government's complete disregard of economic principles and its subservience to political expediency.

"Were this tax prompted by ordinary economic or even social motives," says the writer, "the task Mr. Selwyn Lloyd has set his advisers would be easier. The inspiration, however, is political in the less savoury sense of the word, and the job of framing the tax becomes much more difficult — assuming the Chancellor wants to have his tax with the least possible damage to investment and the machinery of investing."

The political nature of this proposed tax, for which legislation is promised, is of course plain the moment one reflects on its origin. It is something no Conservative Chancellor would have entertained for a moment had he not been forced to take account of the political consequences of the one-sided nature of his Government's fiscal measures and so-called "economic policy." He was made only too sharply aware, by the outcry against land speculation and its effect on housing costs, that at least a gesture in the direction of mitigation of the evil was demanded; but this must do nothing to betray the sacred tenets of the private ownership of land values. So the mental gymnasts of the Treasury were told to work out a compromise as innocuous in its effects as possible.

The new tax is to be on "short term" capital gains made from stock exchange and *property* dealing.

The accent, then, is on "speculation" while leaving the steady long-term enjoyment of land values untouched. Too heavy a tax would deter investment, so the effective compromise is arrived at in a low rate of tax; and everybody is happy. Well, nearly everybody.

THE U.S.A.'s NETWORK OF SOCIALISM

ADMIRERS of the U.S.A. and its international image of the freedom-loving state would be sadly disillusioned if they investigated the extent to which public ownership has become an established part of its economy.

From a recent publication of the Foundation for Economic Education (Inc.), New York, it is clear that the U.S.A. has succumbed, as Britain and so many other older nations did long ago, to the combined pressures of unscientific economists, misguided social reformers and entrenched privilege.

Politics and Taxation Creeping Socialism in the U.S.A.

This has produced in America a situation which can only be described as a condition of national schizophrenia. On the one hand we have the spectacle of anti-communism being flourished as a new banner of the Republic, the national psychosis over Cuba, the pouring-out of millions of public money in South American aid, the witch-hunts, the Anti-American Activities Committee and the John Birch Societies; on the other hand we have



a degree of socialisation throughout the length and breadth of the land rivalling that of the countries of Scandinavia.

"Socialism," says the foundation's writer, "is the Government ownership and control of the means of production. Municipal Government is no less Government than is the federal apparatus, nor is Socialism any the less Socialism because it is at the municipal level." He then goes on to describe the range and scope of municipal socialisation throughout the U.S. and states that about 1,900 municipalities have socialised power and light, and thousands have socialised water and sewerage services. To Britishers, the only shock this statement will bring is the realisation that there are large numbers of such municipalities which still actually permit these services to remain as private enterprise — so far gone are we in acceptance of public ownership of these things. But this is only a beginning. "Cities are now operating hotels, growing wheat, producing fertilizer, marketing milk, producing asphalt and cement, operating parking lots and even running cocktail bars." And that, surely by any standard, is socialism.

"The drift towards collectivisation," continues our contributor, "— decried as slavery when engineered by the Kremlin — is at an accelerating pace in the United States . . . The end of this road, be it municipal or federal, is omnipotent government, which becomes harder

to live with, and more difficult to squelch, with each passing day . . . The hunger after political power is insatiable, each gulp but an appetizer for the next. And the more government regulates and controls, the more it demands to cover costs and losses. The greater the federal deficits, the more urge to inflate the currency; and the sharper the inflation, the greater the temptation for individuals as well as governments at all levels to invest recklessly in all sorts of uneconomic ventures."

What started this train of thought in the mind of the writer of the article was the announcement that the State of Alabama had authorised the city of Mobile to float a \$12 million bond issue (exempt from tax) to build a sugar refinery. "Who knows," he asks, "the web of prior socialisation that actually lies behind and leads up to this latest venture in socialised sugar at Mobile?"

"The American people," he continues, "are running away from their own revolution. Actually we as a people are now returning to the very political omnipotence from which our forefathers escaped." And he calls for a "revival of the revolutionary concept set forth in the Declaration of Independence — that men's rights are endowments of the Creator. We either accept this or we must submit to the only possible alternative, namely, the absurd fallacy that men derive their rights from some man-concocted arrangement — a collective, in practical fact, the state!"

A Lesson from India



By P. MIDDLETON

Behind the U.S. policy of aid to South American countries, behind the whole preoccupation of Western nations with aid for the under-developed economies, is the concern for "land reform." The results of India's twelve years' experience of "land reform" present a salutary lesson on the failure of this method of attacking the basic evils it is designed to cure.

"THE main object of land reform in India," says Dr. B. N. Ganguli, writing in *The Times* supplement on India, "has been to remove the barriers to agricultural development that were implanted in the agrarian system, like the effects of the high incidence of rent, insecurity of tenure and the exploitation of tenants and sharecroppers by landowners." Dr. Ganguli's article, "Social Tensions

Created by Land Reform," is a clear indictment of the Government's policy, which has failed to achieve these admirable intentions.

"The principle," says Dr. Ganguli, "was not 'land to the tiller,' but to assure equality of opportunity to own land through purchase of ownership rights. Drastic redistribution of land in a country with such a large surplus agricultural population, even if it was politically feasible, would have meant redistribution of poverty with serious dislocation in a precariously poised agricultural economy. Besides, so long as urban land and other forms of urban wealth were not redistributed, the redistribution of agricultural land did not make any sense to the substantial owner-cultivators who have always been a power to reckon with in the Indian countryside."

HOPELESSLY DIFFICULT TASK

The first task attempted was the abolition of the intermediary tenures, like the Zamindari tenures, accounting for 40 per cent. of the land of India. Even this proved a hopelessly difficult task, involving as it did all the resources of the survey and legal services, with the result that "records of right are so much in arrears that barely 25 per cent. of compensation plus interest due to the landlords has been paid so far, mainly in the form of bonds." Nor is this all: "State governments have taken over private forests and local irrigation works that used to be maintained by landlords. Local irrigation works are not always in a proper state of repair. Nor is forest management always up to the mark. These lapses are due principally to the lack of initiative as well as the lack of adequately trained administrative personnel at the field level." Similarly, with the provision by which landowners were permitted to retain certain acreages for "personal cultivation": "The area to be resumed has not been declared, nor has it been demarcated in advance. It is not certain that the tenant of the land to be resumed for personal cultivation by the landowner will be left with a minimum area of land. The uncertain situation has been exploited to eject tenants from their lands on a large scale . . . Both the complexity of the law and the failure of the administration to enforce it have conspired to make the poor tenants' position extremely insecure . . . The criteria of personal cultivation are such as to favour the class of substantial landowners . . . Regulating the maximum rent by law is not as effective as one would expect . . . The law regarding resumption of land for personal cultivation favours, as it should, the small owners; but the medium-sized owners have transferred their lands to their kinsmen and others in order to be treated as small owners. The loophole in the law has been plugged in many cases, but one wonders whether it is not too late."

The "redistribution" idea "found expression in the plan for a ceiling on agricultural holding," says Dr. Ganguli;