

THE HOUSE OF LORDS AND THE FINANCE BILL.

(On Tuesday, 14th July, the Finance Bill was read a second time in the House of Lords on the motion of Lord Parmoor, the father of Sir Stafford Cripps, the Solicitor-General, who had charge of the Bill in the Commons. The debate in the Lords was a matter of formality, since the Lords could not interfere with the Measure certified by the Speaker of the House of Commons as a "Money Bill." The Bill was read a third time by the Lords on 15th July, and received the Royal Assent on 31st July.)

The Lord President of the Council (Lord Parmoor) :

My Lords, this is a Bill which has been certified as a Money Bill by the Speaker of the House of Commons, by whose decision, of course, we are governed.

I should like to pass now to what I think is by far the most important proposal in the Bill—what is called the Land Value Tax in Part III of the Bill.

I want to say most certainly that in my view—it must be a matter of opinion—the basis of this tax is perfectly sound and the payment of it entails no hardship beyond what every tax necessitates. We none of us like paying taxes—I know I do not, and I do not think any one does—but apart from that if it is necessary under existing conditions to get new revenue without in any way interfering with industry and without interfering with commerce, I suggest that this is one of the ways at any rate to which we must look for sufficient revenue in future.

Earl Peel (Conservative) :

There is no doubt that if these particular valuation proposals had been brought forward in a Bill by themselves they would have been open to criticism and amendment in your Lordships' House. It is only because they have been inserted in a particular way in the Finance Bill of the year and have thereby necessarily attracted the Certificate of the Speaker of the House of Commons that, by that manœuvre on the part of the Government, your Lordships' House is deprived of your powers and of your statutory rights under the Parliament Act and must acquiesce in the proposals in the Finance Bill. On this ground I protest most strongly in the interests of the whole country against the procedure that the Government have decided to follow in another place.

The Marquess of Lothian (Liberal) :

The taxation of site values has been an element in Liberal policy, I believe in Labour policy, and in progressive policy generally for decades. There is nothing novel, there is nothing outrageous, there is nothing confiscatory about the principle of such taxation. The basis of the tax is perfectly simple. It is that land, being the most limited of all commodities because it cannot be extended, obtains a great part of its value not from the activity of its owner but from the activity either of the community or of his neighbours. It rises automatically as the result of the concentration of the population in towns. You have only to look at the value of land in the centre of great cities to see the process in operation, and that process is still going on. The principle underlying the taxation of site values throughout the agitation in favour of that taxation has been that of all taxes it is really the most just and beneficial in its incidence.

It is fortunate, perhaps, that these taxes will not mature in revenue for two or three years. Let us hope that the national and international situation will have so far improved by that time, and such strenuous measures will have been taken to deal with it that when the land taxation comes into force it will be accompanied by that remission of other and more objectionable taxation which, on any ordinary principle of site value taxation, ought to accompany it.

The principle itself is one which I think it is very difficult for anybody to object to who studies the question in all its incidence. It is the taxation of something which is not the result of the activity of the individual owner, and the relief of such measure of the value of the improvements on the land as is the result of the activity of the owner. That, in my judgment and in the judgment of my Party for many years, is a just and fair principle of taxation.

The phrase "double taxation" is a convenient rather than an exact one. It does not refer to such instances of

double taxation as the motor taxes, with the horse power tax and the petrol tax. It is a short way of saying that if you are laying a direct tax on land values and also collecting Income Tax on the same land unit you should not tax the man who is developing and using his land for the benefit of the State and the service of the community at the same rate as the man who is withholding his land from use. The real effect of the Liberal Amendment has been to graduate the Land Tax from one-eighth of a penny up to a penny according to the measure of development. The greater the development the smaller the tax. I venture to believe that the Amendment is one which your Lordships and every other student of the problem and everybody affected by it will in fact value and approve.

Viscount Bertie of Thame (Conservative) :

My Lords, the only part of this Bill to which I wish to draw your attention is the vindictive capital levy—not leviable once only, as most capital levies are, but payable yearly. The only trade or business that has been singled out for paying this capital levy is the property-owning trade.

As my noble friend Earl Peel said in polite language this malevolent imposition has been smuggled into the Finance Bill instead of remaining as it was originally in a separate Bill. That was no doubt done, as my noble friend said, to stifle any discussion in another place owing to the operation of the guillotine and to prevent your Lordships from amending it.

Lord Danesfort (Conservative) :

My Lords, may I be allowed to state what appears to me the real object of this Land Tax and the principles on which it is founded. Anyone who heard the speech of the noble and learned Lord who introduced this Bill and who derived his information of the nature of the Land Tax from that source only, would not have the smallest idea of what that tax meant. We had a mass of detail but not the slightest information as to what the tax was intended to do. Fortunately, we have a more authoritative source of information than the noble and learned Lord as to the meaning of the Land Tax—the Chancellor of the Exchequer himself. In introducing his Budget this year, he made use of very guarded language, in which he said, "We intend by this tax to take the first step towards asserting the right of the community to the land." Is there one syllable in this Bill or in any statement made by its authors to say that, when the State are asserting their right to the ownership of the land, there is to be one farthing of compensation paid?

The Chancellor of the Exchequer also used these words :—

"The land was given by the Creator"—

that seems to me nauseating humbug and cant—

"not for Dukes but for the people of the country."

There is a sort of Limehouse ring about that which perhaps commends itself to some of his supporters in another place.

Lord Dynevor (Conservative) :

I do not wish to discuss the Land Tax proposals in this Bill, although Mr Snowden finished up his speech on Third Reading with the words :—

"The principle underlying this Bill is to assert the right of the community to the ownership of the land."

Therefore the tax is not likely to remain at one penny in the £ on the capital value. What I wish to refer to is the valuation of the land, which has received far too little consideration. There are three phases. First, on the passing of the Bill, a form of questionnaire will be sent out to the owners of land and it may be sent to the owners who are exempt from taxation under the Bill. Then

follows the valuation in January next. Then comes the third phase, two or three years hence, of the taxation of land values. Owing to closure in another place, there was very little discussion on the Valuation Clauses. In fact, the First Schedule, which is all important in this matter, was never discussed at all.

I want to ask the Government if landowners are expected to go to any expense in answering the questionnaire, because Clause 27 of the Bill says they are liable to a fine of £50 if a person wilfully omits to show in such return any particulars within his power to furnish. Does that mean that they must go to legal expense if, by so doing, the answer can be obtained?

There has been no discussion on this most important point in another place, although the valuation is the most vital part of the whole of the land value taxation proposals.

On Question, the Bill read 2A (so reads the Official Report)

Lord Parmoor :

My Lords, I beg to move that the Committee stage be negatived.

Moved, That the Committee stage be negatived.—
(*Lord Parmoor.*)

On Question, Motion agreed to: Committee negatived accordingly.

Lord Parmoor :

The Third Reading will be taken to-morrow.

(*15th July—Finance Bill*)

Read 3A (according to Order), and passed.

HOUSE OF COMMONS—(31st July)

Message to attend the Lords Commissioners. The House went and, having returned, MR SPEAKER reported the Royal Assent to—

1. Finance Act, 1931,

and 63 other Acts, as listed in the Official Report.

MR LLOYD GEORGE ON THE LIBERAL AMENDMENT

Speech in Edinburgh

Pressure on our space last month prevented any report of the challenging speech made by Mr Lloyd George in Edinburgh on 10th June, at the time when his colleagues in London were in negotiation with the Government on the Amendment (allowing for payment of tax under Schedule "A" of the Income Tax) which they proposed to insert in the Finance Bill. Mr Lloyd George's Edinburgh speech is a link in the story, and we give the following extracts from it:—

Mr Lloyd George said :

The Land Tax proposals are before the House. The Liberal Party has been pledged for forty years to taxation of site values. It is an old Liberal proposal, and we stand by it. But every proposal depends upon the way in which it is applied. . . . Take a site in town paying heavy rates—high rents. What is the position there now? The site enters into the annual value, and in a city the site is often the greatest element in the rent. . . . Under Schedule "A" of the Income Tax the owner of that site will pay 4s. 6d. in the £1, not merely upon the rent of the building but upon the rent of the site. If you put the penny on in addition, you will be adding 1s. 6d. in the £1 to the 4s. 6d., and the owner will be paying 6s. 2d. in the £1 upon that site value. He will be paying rates, maybe 10s., maybe 15s. in the £1. The man who has got undeveloped land upon which there is no building only pays 1s. 6d. with no rates. The man who has improved that site to the utmost of his capacity will be paying 6s. 2d. plus the rates. It is unfair as between two parties.

The second objection is that it penalizes improvements. That is not a just application of a just principle. It is coming before the House of Commons next week. As it stands, it is unjust, and we have come to the conclusion quite unanimously that we cannot assent to the injustice

of the thing as it stands, and we have come to that decision with our eyes open, and we mean to stand by it whatever the consequences may be. We are not merely wreckers of a Government project, but we are people who are driven by a conscientious scruple to make this protest against this particular proposal, and I am sending that message to the Government from a gathering of Liberals in Edinburgh. I am told that if we insist the Government will throw in its hand. If they do, it is their responsibility.

MR SNOWDEN ON THE LIBERAL AMENDMENT

Speech in the House of Commons

As reported last month, the upshot of the difference between the Liberal Party and the Government in regard to making allowance for the Schedule "A" Income Tax, was the compromise whereby New Clause No. 19 (officially altered since to Clause No. 18) was moved into the Finance Bill by Mr Snowden on the 24th June during the Committee stage.

Mr Philip Snowden said :

I beg to move, "That the Clause (No. 19 of the Act) be read a second time." After the welcome that was given to these proposals in the discussion on the Land Tax Resolution and upon the Second Reading of the Bill from the benches below the Gangway, I never expected the opposition that developed a few days later. The hon. and learned Gentleman the Member for Montgomery (Mr C. Davies), speaking on behalf of the Liberal Party, I think on the Second Reading of the Bill, welcomed the land proposals most enthusiastically and expressed his regret that they were of such a moderate character and said his gratification would have been still greater if they had been of a more comprehensive character. He said:—

"With regard to the tax itself, I should like to say a few words. Frankly, it is undoubtedly an extra tax and an additional burden upon certain taxpayers. . . . There is only one justification for this additional tax and that is that it is based on the value of the site which has been created by enterprises other than the enterprise of the owner."—[*Official Report*, 19th May, 1931; col. 1824, Vol. 252.]

I quote that, because it is quite evident that at that time it was clear in the mind of the hon. and learned Gentleman that this was an additional tax; in other words, that it was a double tax.

When the hon. and learned Gentleman the Member for Montgomery made his speech, Members of the House had been in possession of the text of the Bill for a week, and, therefore, they could have been under no misapprehension at all as to what was involved in these proposals. They understood that it was to be a uniform, flat rate tax, and that it was to be a special tax of a special nature for special reasons. For 40 years the Liberal Party had the question of the taxation of land values in the forefront of their programme, and there has never been anything indefinite in the way in which they have presented this question. It has always been in the same phrasology, the Resolution has always been exactly the same Resolution, that a uniform national land tax should be imposed on the capital site value of the whole country.

There can be no doubt what the policy of the Liberal Party has been. For instance, I find the case is put admirably in the Town and Land Urban Report of the Liberal Land Committee, which reported in 1925. It said:—

"On account of its peculiar character, the ownership value of land has been viewed in most countries as a fair subject for special taxation.

"If the nation gives secure rights of user of its land, it follows that the value of land is a form of wealth to which the nation has a special claim and which therefore is peculiarly appropriate for taxation."

It came to me, therefore, as a complete surprise, after those clear declarations and the justification of the double taxation by the hon. and learned Member for Montgomeryshire, when they suddenly discovered that there was something immoral in this additional tax. And rather than

agree with it, they were prepared to die in the last ditch. They discovered that double taxation was something quite alien to our system of taxation. There is nothing new in it. There are innumerable instances of double taxation in our taxation system. You might more appropriately call it treble taxation, because there is taxation under Schedule A, there is taxation for Estate Duty, and then there will be a special tax on land. There are innumerable other instances. Take motor cars. They are subject, I believe, to taxation four times over. You tax the car, you tax the petrol, you tax it by licence and by a driver's licence, and then, on an imported car, you tax him again. He is taxed about five times over. Lastly, arising out of the right hon. Gentleman's legislation in 1909, take the case of mine-owners, who are taxed three times over. They are taxed on profits, taxed on royalties, and taxed for the Miners' Welfare Fund. Therefore there is nothing new in this except this difference, that, to use the argument by which the taxation of land values has been supported by the Liberal Party, there is a special case here for special taxation.

In all the conversations that I have had with the party below the Gangway on this subject my main concern has been to save the soul of the Liberal Party and to bring back to the fold those wanderers who have strayed and erred like lost sheep. Under this new Clause every land unit, except such as are specially exempted, will pay a tax of 1d. in the pound on the value, after the deductions have been made. The rate of the whole value will gradually fall according to the degree of development, and in the most extreme cases it will pay a tax of one-eighth of a penny. Therefore we get a tax upon every site value, varying according to the degree of development. It will be a special tax, an additional tax, and, if you like, a double tax.

The second object of the Bill is the valuation. That remains intact, untouched. I have said, I believe more than once, that I look upon this proposal of valuation and of taxation as being a step forward in a comprehensive scheme for transferring local rates from improvements to site value. Therefore, the amount of the tax initially does not matter very much. Future Parliaments will settle that. Probably when the time comes for dealing with local rating on that basis a complete revision may be necessary in the scheme of national taxation. I submit that all the principles upon which the Bill is based remain unimpaired. The Liberal Party can look the whole world in the face and say that their 40-year-old programme has now been carried into effect. I said at the beginning that I would briefly explain the new Clause as far as I could, and I hope that I have made it plain. Therefore I submit it for the approval of the Committee.

Mr Lloyd George and Sir John Simon

In the House of Commons Third Reading debate on the Finance Bill, 3rd July, devoting himself to Sir John Simon's opposition to the Measure,

Mr Lloyd George said :

There is the great Bill of 1924 (Sir John Simon's Rating of Land Values No. 2 Bill), aimed at achieving one and the same purpose, the taxation of land upon its real value, and the levying of a contribution upon that basis for the taxation of the country. The right hon. Gentleman to-day has been referring to the question of deductions. I venture to tell the Chancellor of the Exchequer that when we came to make the valuation (in 1909) we made too many deductions. We undoubtedly did. If you begin, there is hardly any limit. For instance, we had to deduct advertisements which helped to create the value of the land, and, if you go on from step to step as we did then, it will have the effect of more or less neutralizing the whole advantage of the tax.

The right hon. and learned Gentleman (Sir J. Simon) very wisely dropped all those deductions in the Bill of 1924. May I point out that double taxation could have come in there, and not of one penny in the pound. Under that Bill, you might have put on sixpence in the pound, and even more with the rates, without deducting anything for the roads or any of those things which it has been suggested

to-day are an outrage upon justice. Yet he never felt that when he was doing that he was trampling upon his conscience. That did not in the least tangle his bold steps in those days.

In undeveloped land there is, undoubtedly, a very considerable source of revenue, and it is an increasing source of revenue. I should have liked to have heard the right hon. and learned Gentleman repeat some of those eloquent speeches of his about the principle of the taxation of land of that kind, because, especially in recent years, that value has increased enormously and, what is still more, it has spread enormously.

The Government have a programme. I am one of those who criticize them on the ground that the programme is not bold enough, but even as it is it is a programme that involves the expenditure of scores of millions of public money in roads and in development. There is not one of those things that does not double the value of land in particular districts, not merely double it but quadruple it, and even more. They raise the value of land by scores of millions of pounds. Who pays? The motorist pays. He contributes in his licence, in his Petrol Duty and in other ways. The general public contribute in rates. The one man who does not contribute is the man who gets the most direct financial benefit, the man whose land is increased in value five-fold by that expenditure. The Chancellor of the Exchequer by this Bill will bring all that land into contribution. [HON. MEMBERS: "Not by this Bill!"] By this Bill he will bring the whole of that land into contribution to the extent of one penny in the pound. I hope that in future he will take his courage in both hands and follow the bold example set him by my right hon. and learned Friend (Sir John Simon). He was not satisfied with a penny. He brought in a Bill in 1924 under which he might have charged 6d., 7d. and even more upon those particular sites.

That is what I call a just principle, and that just principle is embodied in this Bill. I have no doubt that it will be regarded ultimately as the right thing regarding matters of valuation. It is idle to say that there will be no double taxation. You will be paying on Schedule A and you will be paying in your rates, and some people who are paying nothing to-day will be paying for the first time both rates and taxes. The burden, in my judgment, has been very largely exaggerated. A friend of mine had very grave misgivings in regard to this tax. He had been reading the speeches of the right hon. and learned Gentleman, and he was under the impression that he was going to be ruined. What concerned him far more was the fact that he was a trustee, and he was very alarmed at the possible disastrous effect upon the revenue from one or two of his holdings. I said: "Would you mind giving me a case?" He gave a case of a site which was worth £500. I said: "Under the Bill as originally drawn the tax would have been £2 1s. 8d. Under the Amendment which the Chancellor of the Exchequer has accepted it will be 5s." Let me be quite accurate. It will be 5s. 2½d. I am told that when we exact that 5s. 2½d., instead of demanding the whole, we are departing from Liberal principles.

The right hon. and learned Gentleman forgets that he has a record on land value. It is not merely his Bill of 1924, but I remember when we had a land conference in the Kingsway Hall, in which we put forward proposals regarding a reform of the land system. The right hon. and learned Member was not satisfied! Why? We had omitted the taxation of land values, and he moved an Amendment in favour of the taxation of land values in an eloquent speech and carried it, and there the right hon. and learned Member nailed the flag of land value to the mast, and you could hear the hammering blows resounding through the hall as he defended this great cause. And it still remains where the right hon. and learned Member planted it. We have had to pass through many contrary winds—[*Interruption*!—] you may boo—but through it all this flag which the right hon. and learned Member nailed to the mast has been waving in the breeze—land value. Now he has been trying to shoot it down, and since he cannot do that he is leaving the ship.

When I was carrying through this House a Bill for the taxation of site values I was having trouble with Indepen-

dent Liberals who were trying their best to destroy the Bill by the same kind of criticism, and the right hon. Gentleman the Member for Spen Valley then made a most admirable statement which seems to me to be very applicable to-day.

"There is no politician who seems to be more truly Conservative than the person who is a Liberal on every subject except the matter in hand."

At that time we had exactly the same situation. There were two proposals for taxation. One was for the taxation of site values and the Conservative Party was putting up their proposal for the taxation of food. That is exactly the situation to-day.

This is what the right hon. and learned Gentleman said on a former occasion:—

"No wonder these Protectionist plotters want a free hand and a rushed Election. They want to secure in a fortnight, authority to do what they like for five years."

I do not object in the least to the right hon. and learned Gentleman changing his opinions. Every man, in the course of his lifetime, is entitled to do that whether on land values, on India or on Protection. If the right hon. and learned Gentleman says, "Well, I propose to change my view on this fundamental question," he has a perfect right to say so.

But, as for us, without his help, a small party—and smaller by such defections as there are—we stand by those causes, and, inasmuch as this Bill embodies the principle for which he, along with us, fought, and for which we continue to fight, I am prepared to vote for its Third Reading.

THE SUGAR-BEET SUBSIDY

Sir Herbert Samuel's Exposure

(The Subsidy on sugar and molasses manufactured in Great Britain from beet grown in Great Britain began on 30th September, 1924, and is due to continue till 1st October, 1934. On 12th June, the House of Commons considered in Committee the payments in advance to sugar manufacturers in respect of the subsidy for the year beginning 1st October, 1931; in the debate Sir Herbert Samuel, M.P., made some remarkable disclosures.)

Sir Herbert Samuel (Liberal) said:

If I were to tell the Committee of the House that for every man brought into employment, the Exchequer has been finding for all these years £1 a week, they would be surprised, but I assert, and I propose to establish, that for every man brought into employment by this undertaking the State has had to find more than £1 every day. The House and the country would be still more surprised if I assert, as I do, and shall proceed to prove, that the cost to the Exchequer of the subsidies and other allowances is more than equal to the whole value of the sugar produced, and Parliament and the nation will have some conception of what it is that the State has been asked to undertake.

Simultaneously with the increase in the beet crop there has been a decrease in the crop of mangolds, turnips and other roots. The answer given to me was that in the counties which contained two-thirds of the total of the beet production during the years of this experiment from 1924 to 1930, the beet area has gone up by 221,000 acres, and the other root area, excluding potatoes, has gone down by 104,000 acres—nearly by one-half. Employment in the production of other root crops is just about the same as in the production of sugar-beet. My authority for that statement is the late Colonel Sapwell, who was a leading agriculturist in the Eastern counties.

I want to limit myself to facts which I can establish. The fact is that, while there has been an increase of 221,000 acres in the five counties under beet, there has been a simultaneous decrease of 104,000 acres under other root crops. That is, in the counties which produced two-thirds of the beet. Therefore, we must add in respect of the rest of the country an equivalent amount.

The number of men employed in the factories has been 2,200 permanently and in addition 7,700 for a period of less than four months, which is equal to 2,500 for a period of a year. Altogether then the men employed on the land, in the factories permanently and in the factories temporarily, is 12,700 men per annum. I am stretching every point to make the number as large as possible so as to state the case as favourably to this enterprise as I can. As a matter of fact, the actual number will probably not be more than two-thirds of that because great numbers of those men, if they were not employed on sugar-beet production, would certainly be employed on some other form of agriculture.

There we have the total facts. Already spent on our existing commitments, £37,000,000. That is on the debit side. In the latest year for which we have information, 1929-30, the subsidy, so I was told in an answer on the 17th November last, amounted to £4,229,000 in that year and rebate of taxation £1,709,000, making a total of £5,538,000 in a single year. If we take 13,000 men as the maximum number employed for an expenditure of just under £6,000,000—perhaps that was an exceptional year—or we will say on an expenditure of £5,000,000, it means for every man brought into employment an expenditure of £384 in the year, or about 25s. for every working day. That is the proposition which I set out to establish and I think the facts, which I have given wholly from official sources, completely prove it.

I will put it in another way. Some 200,000 acres may have been brought into cultivation—suppose they have—at a cost of £5,000,000 per annum. That is to say, for each acre of land the State has paid £25 a year. I will put the position, finally, in another form. In answer to a question on 23rd February this year the right hon. Gentleman told me that the latest period for which complete information was available was the manufacturing campaign 1929-30, and he said that the value of the beet crop in that year was £5,301,000. That is a year in which the subsidy and the rebate amounted to £5,900,000. The State paid £5,900,000 to get a crop worth £5,301,000. The growers received not only the value of their crop, amounting to £5,300,000, but more than an equivalent amount from the State. The conclusion is that it would have been money in pocket to the State if we had given the whole value of the sugar crop to the producers not to produce it, to sit still in idleness, not to build their factories, not to do any work, and to give them all their profits. The State would have saved £600,000 in that year.

Rousseau says: "Man is born free, and everywhere he is in chains. . . . How has this change come about? . . . what can render it legitimate?" In impassioned moments of history mankind has "thrown off the yoke," "levelled fences," only to find the subtle imprisonment again in control stronger than ever. Perversion of political economy, erroneous habits of thought led to a futile explosion of energy—"there is an active, energetic power that, in every country, be its political forms what they say, writes laws and moulds thought—the power of pecuniary interests." Over fifty years ago (to the shame of America be it told) the poverty in our great cities so stirred the compassion of Henry George that he could not rest until he found the path that leads to liberty; found with Marx, that the suffering of mankind came from their expropriation from the soil. *Progress and Poverty* appeared in 1879, and in it is incorporated the blueprint for the social architect, the only foundation upon which the walls of the Commonwealth will endure. When we learn that Labour, which creates and pays for all, furnishes as "Dole" to the ground lords \$13,600,000,000 each year, in addition to supporting the local and national government, it is not surprising that charities, asylums, jails and periodic unemployment is part of our civilization.—WINIFRED B. COSSETTE.

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