

also how the cost of land has entered into the cost of the materials. We have the recent experience of Stoke-on-Trent City Council, when they rescinded a building contract because of their suspicion that the quotation for the tender had been fixed by a builders' ring. This was denied by the trade, but as long as land can be held out of use and be exempted from rate payment on its value, so long will monopoly in sites and building materials, with the fixing

of prices by trade rings, be the inevitable consequence.

Councillors at Salford, Stoke-on-Trent, and elsewhere, should not be surprised at these results of our existing rating system. They should be reminded that the remedy is in their own hands. The better system of placing the rates on the value of all land, and taking rates off houses would have both the results so much needed if the vexed

housing problem is to be settled for once and all. Such rates on land values, falling on valuable unused land, would force it into use, and thus make land cheaper for housing sites, whilst bringing down the price of materials by bringing larger supplies into the market. At the same time the exemption of houses from rates would enable better houses to be supplied at rents within the capacity of the tenants to pay.

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THE TRADES UNION CONGRESS ON TAXATION

AMONG THE Reports submitted to the recent annual meeting of the Trade Union Congress at Blackpool was a statement on Fiscal Policy. It pointed out that taxation was not merely "a means of raising sufficient revenue to cover the indispensable costs of Government" but could also "influence in one way or another the economic activity of the nation" and correct "inequality in the distribution of incomes." The report also adheres to the theory of "deficit spending" with a view to promoting full employment. It asserts that there is "no valid principle which forbids the Government even in peacetime from borrowing to meet a part of its expenditure, that is from having an unbalanced budget. The only disadvantage involved in this method is that it increases the national debt, which by swelling unearned incomes at least tends to aggravate the existing inequality." We would point out that there is another serious objection to borrowing for purposes of current expenditure and that is that it tends to divert saving from capital purposes—in other words, resources which would have become embodied in durable equipment are dissipated in consumption. Neither do we accept the view that government spending out of borrowing will increase the demand for goods or labour, except in so far as it results in inflation in which case the demand appears to be larger because it is measured by tokens which bear the old names but are worth less.

The general nature of the taxation now levied in this country regarded merely from the point of view of the money taken from each taxpayer is that it is generally progressive, that is to say that the percentage of income taken in taxation rises as income rises. This is particularly true of that part of the national revenue, now roughly two-thirds of the whole, which is derived from direct taxation. It is not true of the indirect taxes, customs, excise and purchase tax, which are regressive, falling proportionately more heavily upon the smaller incomes. Taking the two kinds of taxation together it is found that the net result is that taxation on incomes below £250 a year is still regressive in spite of the steepening of the rates of income tax and death duties which has taken place during the war. The Report says: "The regres-

sive character of the tax burden on small incomes is, of course, a consequence of indirect taxation, especially that part which falls on essentials. In the light of the principles already stated, indirect taxes cannot ultimately be justified unless they serve definite economic or social purposes which accord with the public interest. As is shown subsequently, a great deal of present indirect taxation could not be justified on these grounds." The subsequent part of the Report does not in fact indicate any argument for permanent retention of any form of indirect taxation, although it states that taxes on commodities may have served a war-time purpose of restricting consumption. Neither does the Report indicate any leaning towards protective tariffs, merely mentioning in passing that certain taxes on imports were imposed for the purpose of giving protection to domestic producers. It also points out the anomaly of subsidising the retail price of foodstuffs which have already been increased in price by indirect taxation.

In discussing the Income Tax the Report says that "as long as there remains considerable indirect taxation inflating the prices of articles and commodities entering into working-class expenditure we would not favour a drastic reduction of the standard rate of income tax." It advocates an increase in the allowances or deductions from income to arrive at taxable income which have been much reduced during the war.

As regards excess profits tax it argues that "for peace-time operation, however, E.P.T. cannot be regarded as a good tax." "It involves discrimination between industry and industry and between different firms in the same industry." "By making no distinction between efficient and inefficient firms it tends to lessen enterprise and initiative in the section of the country's industry which is still in private hands."

On the death duties it says that "estate duty is a convenient tax on property passing at death which serves to counteract the inequalitarian consequences of inheritance." But it adds that "the purpose of the duty is being partially defeated by prior transfers of property" and this "cannot easily be overcome. A general capital tax would therefore be of great importance in securing a more equitable distribution of property." The whole question of taxes

on property requires, in our opinion, a special detailed examination." On this we may remark that there are numerous examples of the operation of a general property tax. In the United States, for instance, it has long been a common method of raising revenue. Experience has shown that it is liable to evasion and has not done anything noticeable in correcting inequalities in the distribution of wealth. The principal form of property which does not escape assessment is land and buildings and fixed improvements to land, and the general property tax tends to become more and more a tax upon real estate.

This brings us to a form of tax on real estate which is of great importance in this country—the local rates. On this the Report states: "We are greatly concerned about the inadequacies of the present method of local taxation in the form of rates on the annual value of property. This is a particularly bad form of indirect taxation, levied partly on the use of accommodation, which discourages the improvement of existing housing standards, and partly as a charge on distributive industry, i.e., rates on shops. The problem of local government finance, however, requires detailed consideration and is a subject on which we hope to present separate recommendation."

On this subject the T.U.C. may easily find ample information both in official and unofficial publications. There is, for example, the report of the Finance Committee of the London County Council on the Rating of Site Values, as well as abundant evidence from the British Dominions where the rating of site values has provided a satisfactory and tested solution of the problem of local taxation. We await with interest the result of the further investigation which it is proposed to make on this subject.

The Report under review is to be welcomed as indicating a strong criticism of indirect taxation of all kinds. Its weakness lies in a somewhat superficial approach to the subject without basic examination of the incidence and economic effects of various forms of taxation and notably its omission of any mention of land value taxation. It is to be hoped that the latter defect may be cured in the investigation which is promised of property taxation and of local rating.