

ECONOMIES AND SUBSIDIES

Speech by Andrew MacLaren, M.P.

On the Third Reading of the "Economy Bill" in the House of Commons on 22nd April, Mr. Andrew MacLaren took part in the debate, and in the course of his speech said:—

"I do not know how much the Chancellor of the Exchequer hopes to secure by the various economies under the Bill, but one way in which I would economize, if I had the power, would be to cut out the subsidies or subventions or bounties to what I consider to be parasitic growths in the community. In 1923 we had a Bill brought in to give relief from rates to the owners of land in agricultural areas. It will cost the country something like £7,000,000 this year to clear up rates that might have been paid by those owners if they had paid in full on agricultural values.

"There is another way in which the Government are feeding parasitic growths. You are handing over £7,000,000 to people who are not losing anything, but are gaining by every pound spent in national development. This year, I understand, the Government will have spent something like £24,000,000 on public works, all of which has added to the marketable value of the property of those people who are receiving these remissions in the rates for this year. I do not know if even

the Chancellor of the Exchequer hopes to get £7,000,000 out of this so-called Economy Bill. I suggest he will not get even that amount, considering costs of collection and other matters, but £7,000,000 could be saved in the direction I have suggested. Then we have the subsidies in connection with beet sugar, which, in my opinion, is another case of feeding a monopoly inside your own country and giving rise to a parasitic growth. I have indicated methods which could have been pursued by any Government really determined to carry out economy, but this Government will not adopt any of them. To follow any of these paths towards economy, to tackle the housing of this country in real earnest so as to wipe out the necessity for these enormous charges for public health services, or to do any of these things, would mean challenging vested interests. You would be met by the adamant walls—the concrete walls—of the vested interests if you took any line of action of this kind.

"We cannot hope to see the present Government pursue those lines of action. They are in this House for the special purpose of defending these historic monopolies, and they do it efficiently."

[Mr. MacLaren recently suffered a breakdown due to strenuous platform work and constant travelling. After a collapse in the House of Commons, he was ordered by doctors to rest awhile, and we are glad to report his convalescence is now assured.]

SWOLLEN INCOMES AND UNEMPLOYMENT

The Paradox and the Menace

By FREDERIC MATTHEWS

Taxes and land are the factors in unemployment. Much of England's revenue is derived from taxation of industry. Recent representations of Chambers of Commerce show how these taxes increase unemployment. They have other results.

In fiscal questions proportionate distribution of burden is the essential. Indirect fiscal pressure upon vital needs reverses this principle. It is taxation in inverse proportion to income. One hundred per cent of smaller incomes may be spent on necessities and thus be taxed. A much smaller percentage of larger incomes is so reached. The result is a distorted distribution of annual wealth. An income of £200 taxed £20 might with difficulty save 10 per cent, or another £20. An income of £20,000 is not necessarily taxed indirectly more than the first, and might easily save fifty per cent, say £10,000. The larger income has an untaxed reserve five hundred times that of the smaller. The forced disparity is near a thousand times. This forced disparity produces progressive restriction and accumulation in proportion to income. The Statistical Abstract gives the following for the decade 1913-1922:—

Tax Burdens (p. 3).

1913	..	..	..	..	£189,000,000
1922	..	..	..	..	914,000,000

Persons in Receipt of Poor Relief (E. & W., p. 333).

1913	..	..	..	..	£784,000
1923	..	..	..	..	1,710,000

Incomes Over £5,000 (U.K., p. 40).

Year.	Persons.	Total.	Average.			
1913	12,965	£160,000,000	£12,000
1922	27,842	363,000,000	13,000

The tax burden has quadrupled. Poverty and unemployment have doubled. Incomes over £5,000 have

more than doubled in number and amount, or increased by £200,000,000.

War and taxes affect the larger incomes as follows:—

Year.	Persons.	Incomes Over £5,000.		Increase.	Loss.	
		Total.	£			
1913	13,000	160,000,000	9,000,000	—
1914	14,000	175,000,000	15,000,000	—
1915	15,000	185,000,000	10,000,000	—
1916	14,000	175,000,000	—	10,000
1917	16,000	200,000,000	25,000,000	—
1918	18,000	234,000,000	34,000,000	—
1919	20,000	257,000,000	23,000,000	—
1920	23,000	300,000,000	43,000,000	—
1921	26,000	345,000,000	45,000,000	—
1922	28,000	363,000,000	18,000,000	—
		Total	..	£222,000,000	£10,000	

Total gain £212,000,000

Year.	Persons.	Incomes Over £5,000.		Average.	Increase.	
		Total.	£			
1913	12,965	£160,000,000	£12,000	£1,000
1922	27,842	363,000,000	13,000	

Incomes Over £10,000.							
1913	4,520	£103,000,000	22,000	—
1922	10,312	242,000,000	24,000	£2,000

Incomes Over £30,000.							
1913	965	£48,000,000	£50,000	—
1922	1,692	105,000,000	60,000	£10,000

Incomes Over £50,000.							
1913	350	£31,000,000	£88,000	—
1922	671	67,000,000	100,000	£12,000

Incomes Over £100,000.							
1913	78	£13,000,000	£175,000	—
1922	122	35,000,000	182,000	£7,000

Between seven and eight hundred millions sterling have been swept into the larger accumulations in ten years, although the loss of British capital has been put at five thousand million pounds. To refer this progressive accumulation of the larger fortunes to productive increase implies that war has doubled productive capital

and unemployment at the same time. Direct taxation is beside the question. If 80 per cent of an income of £100,000 is absorbed by direct taxes, the process of indirect distortion simply begins at £20,000 and forces the wealth of the people round in an inverted funnel. It churns it all out at the top.

The test of administration is the relation of fiscal burden to annual income and of annual income to productive capital. In a normal system the burden of the fisc will fall in proportion to income, and income will vary in proportion to productive capital. In England, where war has destroyed thousands of millions of capital, quadrupled taxes and doubled unemployment, £200,000,000 swell incomes over £5,000; £20,000,000 swell incomes over £100,000, and there are more than twice as many of each; intermediate incomes more than double in number and amount all through the scale.

Here is a system of distribution without relation to taxation or productive capital. The multiplication of taxes and the destruction of capital seems to have multiplied all the larger incomes and doubled their annual value; in other words, war and Taxes have increased 28,000 incomes by £200,000,000 a year, or the larger fortunes by seven or eight hundred millions sterling in ten years. From an administrative point of view the study of the Abstract is like a fiscal and financial nightmare. Here lies the danger of England's future. The taxation of industry not alone increases unemployment directly but indirectly by distorting and congesting the entire annual wealth of the people. The history of Europe shows the result.

Recent figures in no way alter conclusions drawn from the Abstract, on the contrary. Poor relieved December, 1925 (815,500), 17.9 per cent more than in December, 1924. (MINISTRY OF LABOUR GAZETTE, January, p. 27.) Registered unemployed, 4th January, 1926, 1,316,000. (*Ib.*, p. 12.) Exports 1909-13 about 20 per cent greater than in 1923-25. (BOARD OF TRADE JOURNAL, 4th February, 1926, p. 140.)

	Imports.	Exports.
Jan., 1925	£128,907,000	£69,050,000
Jan., 1926	117,689,000	60,380,000 (<i>Ib.</i> , 11th Feb.)

Such a system can be supported but by doles, which means expanding taxation based upon contracting trade. This with the consequent congestion of the national wealth may lead to confusion.

The Land.—A system of tenure which swells individual fortunes with nationally created wealth increases unemployment in two ways. It encourages speculation in idle land and, in permitting surface owners to absorb a large proportion of mineral and industrial wealth, handicaps productive operators.

The land floods which have swept France, Russia, northern and eastern Europe, have yet to reach England. The present fiscal and land systems will probably break the dykes, unless land and industry are brought to their productive maximum.

There may be no cure, short of revolutionary convulsion. The upper classes rarely understand their danger before too late. A constructive cure demands two organic changes—both, perhaps, impossible. First, the productive repeal of industrial taxes; second, replacing these in the National Treasury by socially created wealth in the form of unimproved land values.

What might be possible in England with an organic conception of the fisc in relation to industry is to free unproductive capital locked in industrial taxation, and at the same time strengthen the Treasury with a central fund based upon increased productive powers of the land. There can be no Free Trade without Free Production. An organic centralized fisc is as necessary to

productive stability as a centralized reserve to financial stability. England's need is revitalized industry and new sources of revenue. If industry can be revived through the productive repeal of taxes on consumption, fresh sources of revenue will spring from the ground. Every indirect tax blocks a market and stifles an earning power. Every productive tax repeal will increase these and, at the same time, the value of the land.

If present conditions in England were understood, property owners would form an organization for the purpose of avoiding the fate of France and Russia. Identical causes may produce identical results. Such a property owners' Fiscal Reform Association would have a definite policy. It would form about the Board of the Bank of England and (1) protect financial institutions; (2) safeguard and develop industry through constructive tax repeal; and (3) support the Administration with a central fund based on the productive powers the nation lends the land.

THE BULLETIN for April (monthly organ of the Manufacturers and Merchants Federal Tax League, 1,346, Altgeld Street, Chicago) carries an informing reference to the Danish Conference convened to promote Land Values Taxation and Free Trade. Those who cannot be present in person are urged to enrol as hon. members—the fee is \$5.00 to be forwarded to the United Committee, in charge of Conference affairs in all countries other than Denmark, Norway and Sweden.

This issue of THE BULLETIN is mainly devoted to the searching examination of Professor Ely's sinister attack on the land value policy, in Mr. Jorgensen's book, FALSE EDUCATION IN OUR COLLEGES AND UNIVERSITIES, reviewed in our May issue. Mr. Jorgensen's masterly review of the case as presented by the Professor is a distinct service to the movement. The book is invaluable to those who lament the attitude of the schoolmen to Henry George's teaching and yearn for their support in the elucidation of economic truth. Copies can be had from our officer at 3s. 6d. (paper) and 5s. 6d. (cloth), post free.

We gladly note the following letters in the newspapers, from clippings received during May: Fesole in the "Keighley News"; W. J. H. in the "Edinburgh Evening News" (2); F. Skirrow in the "Yorkshire Post" (2); Wm. Caldwell in the "Ardrossan Herald"; G. A. Goodwin in the "Humanist"; Wm. Reid, F. R. Jones, "Penseroso" and "A Political Independent" in the "Catholic Times"; A. W. Dakers in the "Yorkshire Post"; "Sparkhill" in the "Glasgow Forward"; Mrs. A. McGrouther in the "Ardrossan Herald"; Wm. Reid, A. S. Munsie, "Semper Fidelis" and a "Catholic Single Taxer" in the "Irish Weekly" and "Ulster Examiner"; Chapman Wright in the "Birmingham Post"; A. J. Mace in Dumbartonshire papers. The "Peebles News" published in two columns Mr. Duncan Mackay's brilliant lecture on the Rights of the Individual and the Functions of the State.

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