

said about imports doing us harm, or about our suffering from excess of imports. I believe the exchange with America can be dealt with, and is being dealt with at this moment, and we ought not to plunge into violent remedies which are contrary to principles. A very curious list of articles was presented to us. Motor cars, clocks, watches, films—I know nothing about them; I was astonished to hear they come to us in such a large amount—musical instruments, plate glass, and hats. Why hats? [An Hon. MEMBER: "Austria."] Why put a heavy tax duty on hats? All these are contrary to Free Trade principles. I simply wish to enter a protest now that may have to be developed a little more at a later date.

MR. LEIF JONES (Lib.): Like the right hon. Gentleman opposite I must confess that I was rather troubled about hats. I do not know why that particular article has been chosen because it does not fit in with my understanding as to what is the necessity of the case. I suppose everybody is going to wear one hat, and nobody will wear more than one when he or she goes out, and therefore it makes no difference whether we wear an English or a foreign hat. If a foreign hat is cheaper it seems to me that you will have damaged your exchange by driving people to wear more expensive hats.

Importing these things from a foreign country puts the exchange against us. In order to get the exchange down more in our favour you must export goods. If you take workmen who are making goods for export to make articles which you would have imported you diminish your exports and at the same time you diminish your imports, and you have not benefited by the exchange. It may be that certain people are now engaged in making luxuries when their labour at the present time is required to produce necessities for the health and efficiency of the people or for munitions of war, or those things we have to export in order to get our munitions from foreign countries. If you employ home labour on anything else you are damaging your exchange just as much as importing goods and sending no corresponding exports. I dwell on this point because I think in a great deal of the war-saving literature, and the arguments addressed from the platform and in popular organs in this country, an endeavour has been made to show that the mere consumption of luxuries is of itself an evil, whereas the evil is the consumption of unnecessary articles, and unless you diminish unnecessary and luxurious consumption you will have done nothing to benefit foreign exchange or our national financial position.

MR. DUNDAS WHITE (Lib.): My right hon. Friend has touched on a great many subjects capable of taxation, but there was one which he did not hint at, and which I wish to bring strongly under his notice, and, indeed, under the notice of the House. I regret there was no suggestion in his speech of the fundamental principle that, in the expenditure for the defence of our land, a special tax should be laid upon those who hold the land and that they should be called upon to make a special contribution in proportion to the natural resources which they hold. There are a good many of us who entertain strong views on this subject, and who consider that the natural resources of the land—I am not referring to houses, buildings, or improvements—but the natural resources themselves, ought to be the principal source from which to get those silver bullets which are to bring the War to a successful conclusion. There should be no delay whatever in calling upon those who hold those natural resources to make this special contribution. This proposition rests on the right of the community to the natural resources of the country, and that right has been the foundation of every reasonable land system. The feudal system, with all its faults, was based upon this, that those who held the land should furnish the King with soldiers and military equipment. With the gradual break up of that feudal system, the lucky people who held the natural resources of the country, and their successors in title, succeeded in retaining their hold on the land, while gradually transferring the financial burden to other shoulders. The time has come to set things right, and to assert the fundamental principle, that those who hold the natural resources should bear the biggest share of the burden of defending them. The Chancellor of the Exchequer has told us that it is very important we should not hamper production. He has spoken of the burden which the War imposes on the country. The system of taxation to which the right hon. Gentleman should look

at the present moment is not merely a tax system that will bring in money, but a tax system that will bring in money without hampering and without penalising production.

MR. RAFFAN: And that will increase production.

MR. DUNDAS WHITE: We should ask those who hold the land to contribute according to its value, and put the tax, not upon buildings or improvements, but upon the land itself. If you ask them to do that you do not hamper production in the least. The factors of production are land, labour, and capital. Labour and capital are applied to the land and produce from the land. It does not matter to the labourer who gives his labour to the land, and it does not matter to the capitalist who applies his capital to the land, whether that rent or land value goes into private pockets or into the coffers of the State, or whether in part it goes into the one and in part goes into the other. My hon. Friend (Mr. Raffan) has reminded me to go a step further. Every economist who has studied the question will go a step further. This taxation of land values means calling upon people to contribute to the needs of the nation according to the value of the natural resources they hold. This system will not hamper production in any way, but will rather promote production, because it will bring more land into the market and make the natural resources of the country more available for use than they ever yet have been. Take the case of the land round our towns. Take the case of Glasgow, for instance, which I have the honour to represent. There you have several thousands of acres of land. More houses are wanted. House rents have gone up and there is a house famine. If you try to get the surrounding land, even if it is being put to agricultural uses, for the housing of human beings who are overcrowded, you find that for land rented for the purposes of Income Tax at perhaps 30s. an acre a year you have to pay an annual feu-duty of something like £30 an acre if you want to build houses upon it. That checks building and the setting up of manufactures, and it checks almost every other industry in the country. Every industry requires land upon which to carry on its operations.

We know, in fact, that on all hands there is a land hunger. There will be an increasing land hunger when the men come back from the War. What do we find? We have had wonderful schemes of land purchase, under which the unfortunate taxpayer, already heavily burdened, is to be called in to finance the transaction between the man who has the land and the man who wants it. In all our schemes of land purchase we have to pay too high a price. Everyone knows that. I agree that there are compulsory powers, but those compulsory powers do not secure fair prices, and most people know that though the prices are so high that they would rather pay the excess price than an excess price plus the price of the costs under the Lands Clauses Act. This is a matter for which the remedy is in the hands of the Chancellor of the Exchequer by way of taxation. You have two people; you have the man who is good enough to hold the land—mind, he did not put it there, but he is good enough to hold it—and you have the man who wants the land, and you want him to be settled upon the land. The first thing to do is to say to the man who has the land, whether he uses it or not, "We call upon you to contribute to the needs of the nation according to the value of that land." If you do that in fact, the two men will come to terms at once and there will be no need to call in the taxpayer at all.

A good deal has been said about the balance of exchange. We are told we lose on the balance of exchange and that the way to stop that is to stop the import of various articles. I must say that that savours to me of the old mercantile theory which found favour before the days of Adam Smith. Without going into the details of that, I would like to point out that what we want to do is to increase production at home. We shall never increase production at home until we take the fundamental step for opening these store-houses of nature by making the land more available to the people than it is now. The practical difficulties have been exaggerated. If the Chancellor desires a scheme, I shall be glad to submit one. There should be little difficulty with the valuations. The valuations we have had in the 1909-10 Finance Act are unnecessarily complicated, because they went in for various fancy taxes—the Increment Value Duty, the Reversion Duty and the Mineral Rights Duty—instead of going straight for a tax on land values and asking

those who hold the natural resources to pay according to the value of what they hold. Once you do that, the whole thing could be straightened out. You could have your valuation within a year, and if you make preparation this year you could have the tax, say, next year.

Something has been said of the Income Tax under Schedule A and Schedule B. Schedule B deals with what an hon. Friend of mine called the agricultural farmer. As regards that, I would only say that the first thing to encourage the farmer and every cultivator is to let him know that once and for all his improvements will be tax free. Tax him according to the market value of his land, do not tax his improvements, and you do not hamper his industry. The same observation applies to Schedule A. If I may recall the fact, I raised this question on the Budget of last year when, as hon. Members will recollect, the Income Tax was doubled. I then pointed out that the doubling of the Income Tax under Schedule A would have a very damaging effect upon building, because it would mean that buildings and profits from buildings would be taxed at about double the previous rate and that capital would be diverted from the building industry. I regret to know that that forecast has come true. It has come true all over the country. It has come true particularly in Glasgow, and while I for one support the higher Income Tax which is proposed now—an Income Tax of which the normal rate will be 3s. 6d. in the £—I think it right to again point out to the Committee that, so far as Income Tax under Schedule A is concerned, it means that the building of houses will be even more penalised than it is now, and that the housing difficulty will become even greater than it is at present. I think it right to bring these facts before the notice of the Committee.

Mr. PRICE (Lib.): It is superfluous to congratulate the right hon. Gentleman upon the lucidity with which he presented his Budget. At the same time I want to say quite frankly that I cannot congratulate the right hon. Gentleman himself on the variety of new taxes which he proposed. I have always been a Free Trader, and I have fought a great many Free Trade causes, and I did not expect to live to see the day when with a Liberal Prime Minister and a Liberal Chancellor of the Exchequer we should get Free Trade given away as it has been this afternoon. I listened to the terms of the speech with very profound regret. I have not had time to examine what will be the effect of these taxes, and what you are going to get by them, but certainly the announcement of the hon. Member for Cork, "What a blessing this Free Trade has been killed!" was received with great gratification by a good many Members who sit on the other side of the House. Therefore we must take it that this Budget has given away a great cause.

What surprised me above all was that we should have these taxes imposed upon these things when, strange to say, the Prime Minister, above all men in the country, declared years ago that there was one new source from which revenue would be got, and that is the taxation of land values. That is the one subject to which he was committed above all others as the new source of revenue. No reference was made to that this afternoon. Therefore to me it is a matter of profound regret that he should state that that was to be the new source of revenue, and that soon after the formation of this Coalition Government we should be found taxing things against the taxation of which we have been fighting all our lives, while the one subject which, twenty-five years ago, he said should be the new source of revenue is not sought in this Budget. It was announced at the beginning of this Coalition Government that no cause should suffer. I consider that this cause of the taxation of land values has suffered enormously by this Budget. First of all, why did not you double or treble the taxes at present levied upon land? Why should you single out all these things, tea, sugar, and so on, for a general increase while you do not at the same time increase your taxes upon land?

I say that in my judgment this Budget has very materially affected our cause. Both the Chancellor of the Exchequer and the Prime Minister, in particular, are committed to this new source of revenue, and yet when they are so anxious to find out where they can get money the one subject which has increased in value is the one subject which they altogether ignore. Assume for a

moment that the Germans landed in this country; what value to me would my land be then? It would be of no value at all, because they would take it if they landed here. But everybody is called on to contribute a like security while the land is not called upon to contribute. Surely that is not fair. I sincerely trust that the right hon. Gentleman, as I dare say he will have to find money elsewhere, will see that this cause does not suffer as it has suffered by the introduction of this Budget. I regret very much to have to speak like this, but it is only fair to say, speaking for a great many men, that the result of this Budget is that our cause has suffered enormously. I am not speaking without experience, because I own land and other subjects. I speak from practical experience from house property, and so on. And there is no property which has gone up so much as workmen's houses. I trust, therefore, that the working people of this country will examine this Budget with very great care. They have been taxed in different forms, while this one great security which it has always been assumed would bear a substantial burden at this particular time, a time of war, is the one subject which has been ignored. I regret very much that where there has been so much praise I should have to introduce a hint of discord, but it is only right, speaking for a great many people, that I should let the Government know that, so far as that aspect of the Budget is concerned, it will cause very great despondency in the country.

Mr. OUTHWAITE (Lib.): The speech of the Chancellor of the Exchequer this afternoon is of very painful import to the future of this country. I suppose that the method in which we raise taxation is of greater import to the people of this country than to any of the other belligerents. For instance, the prosperity and the maintenance of the national existence of Russia are determined by the condition of her peasantry producing from the soil. The same rule holds good to a very great extent of Austria and France, and to a lesser extent of Germany. But the whole national prosperity and the condition of this country depend in the main upon the maintenance of the fiscal system which has given us our pre-eminence in finance and trade, and which the vast majority of our population are anxious to defend. The most striking fact in connection with this Budget, and the one which, apart from the amount involved, differentiates it from all the Budgets of the last sixty or seventy years, is that in this Budget the Chancellor of the Exchequer has scrapped the Free Trade policy of this House. [HON. MEMBERS: "No!"] You may say "no." I dare say that the Chancellor says "no" because only a few items have been singled out for the imposition of duties. But in every country where Protection has been introduced in almost every case it was introduced as the result of war, and it always started with the imposition of a few taxes for the purpose of revenue. If you scrap the principle you virtually scrap Free Trade. Where are we to-day? We know that this is only the beginning of great increases of taxation. This is not the last word in war taxation; it is only the first word; and, consequently, we have to regard very carefully the new sources of taxation which have to be found and the direction in which the Chancellor of the Exchequer is going. If we are to have taxation on imports to raise £2,000,000 for certain economic results, we are going to have further taxation on imports for further economic results in the future.

This taxation of imports—plate glass, motor cars, and other articles—is a concession to Tariff Reformers. If it were necessary, I could understand the imposition of these taxes, but, until we have exhausted every other source of revenue, these taxes should not be imposed. If taxes are necessary for the conduct of the War, there is another vast source of revenue in this country, a source which the Prime Minister has pointed out in the past, a source to which we must go in the future, and a source from which enormous revenue can be raised, and which has been long untouched by the Chancellor of the Exchequer, namely, the communal value of land. You may tax imports, you may levy taxation on the poor by way of a duty on sugar and on tea, but the land monopoly is sacrosanct; you must not raise an extra penny from it; that is the position declared by the Chancellor of the Exchequer. We have to realise this fact: Owing to the War and the necessities which have arisen, we have to find a new source of taxation, and, perhaps, a new principle of taxation; or, as I prefer to put it, we have to revert to an old principle,