

THE ADOPTION of such radical reforms would entail a number of changes in parliamentary procedure. At present the government submits to parliament estimates of its forthcoming expenditure (sometimes regrettably followed by supplementary estimates) and the House of Commons — sitting as the Committee of Supply — grants the necessary sums, although it may in theory reduce these. There are then other formalities which involve the Committee of Ways and Means—also, like that of Supply, a committee of the whole House. Broadly speaking, the Committee of Supply decides how much revenue is required and the Committee of Ways and Means how to raise that revenue. In a lecture reprinted in the issue of *Taxation* for October 27, 1962, Mr. Geoffrey Stevens, M.P., F.C.A., gave some details of the development of the two committees:—

“The practice of setting up a committee of the whole House to consider supply dates from the reign of James I; the separate committee to consider ways and means for raising supply first appears in the journals during the Long Parliament and became a regular practice during the reign of Charles II. Before the eighteenth century Bills of Aids and Supplies for the Crown were really Bills authorising the King to levy taxes to meet expenditure which could not be covered out of the Crown's own regular revenues. The difference between the Committees of Supply and of Ways and Means at that time appears to have been that the Committee of Supply raised money by the imposition of recognised taxes whereas the Committee of Ways and Means came into existence for the purpose of devising new means of raising money . . . .

“As, however, the Crown gradually relinquished to Parliament the right of imposing taxation on its own authority, the authorisation of expenditure became clearly distinguished from the imposition of taxation. The voting of estimates then came to be the special function of the Committee of Supply.”

It can be seen that with a single tax on land values the work of the Committee of Ways and Means becomes superfluous. It would not be necessary to formally abolish the Committee, but there would be a constitutional convention that it did not meet—except, that is, in time of war or other grave emergency when the imposition of taxation might be unavoidable as the best of several evils. A single-tax nation forced to defend itself against aggression would not need to resort to borrowing, inflation, or indirect taxes to finance its operations, but could rely on income and wealth taxes. By doing this it would preserve the power to make a clean start with the coming of peace. Material possessions should not be valued higher than human life, and in wartime as there is conscription of men so there should be conscription of wealth.

The Committee of Supply would remain, but the estimates it approved would amount to no more than the total public income from the rent of land. It is probable that the Treasury would itself prune the departmental estimates to achieve this result, for in the existing state

# PARLIAMEN REVENUE

By A. J. Ca

of party politics the government would no doubt prefer to spend public money according to its own priorities rather than those of the House of Commons as a whole. Nevertheless, it would be with the House of Commons that the ultimate control of expenditure rested.

One of the effects of the simplification of the tax system would be a considerable saving in parliamentary time. This has a particular significance for the Finance Bill, for there is a growing feeling that since many of its intricate causes are understood by only a few Members much of the discussion of the Bill should be done by a small expert committee away from the floor of the House. The Select Committee on Procedure, however, rejected this proposal, and its report referred to “a strong body of opinion which believes that even the committal of part of the Bill would be a breach of a constitutional principle, namely, that the House as a whole must keep control over the executive in the matter of taxation.”

There is a dilemma here, but it is a dilemma that would be avoided if the tax structure were properly reformed, and avoided in the best possible way—by enabling every Member of Parliament to understand what was going on. Whatever else needs to be accomplished in saving the time or improving the procedure of the House of Commons (and doubtless there is a great deal), the Select Committee's conclusion was right, for as Mr. Rees-Mogg wrote in *The Sunday Times* of May 5, 1963, “it is the control of the purse by the House of Commons which is the hinge of the constitution.”

There is one public institution that already works roughly on the lines that have been suggested for the country. This is the British Broadcasting Corporation, which receives no government subsidy and derives its income solely from licence fees. (The analogy is not perfect because the licence fee does not yield an increasing revenue as would the land-value tax, and it has therefore to be altered occasionally.) *The Times* of July 30, 1963, contained the following words in its leading article “The Cost of Broadcasting”:

“One of the greatest strengths of the B.B.C. is that it has developed itself out of income. This is the best safeguard the public can have against the B.B.C.'s becoming inefficient or spendthrift. It is also another bulwark of independence. Almost every M.P. will endorse an appeal to the B.B.C. to be economical; few will not at some time or other urge it to undertake some expenditure which is plainly not economical. The best answer to such pressures has always been that the B.B.C. had

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better things to do with its money. Once let it start borrowing and the sky will become the limit. It will then end up as one more public corporation hopelessly in debt."

By the terms of the licence and charter that will govern the B.B.C. for the next twelve years — published in Parliament on December 19, 1963 — the Corporation is unfortunately now permitted to borrow up to ten million pounds for temporary banking accommodation, and up to twenty million pounds (subject to the Postmaster-General's consent) for capital purposes. This is a mistake: the comments made by *The Times* remain valid for the B.B.C. They are valid also in a much wider sphere — that of the country as a whole.

## BACK TO FIRST PRINCIPLES

The conclusions that have been reached in this study of unemployment and public spending may now be summarised.

The measures adopted by the government to prevent large-scale unemployment are not necessarily effective, do not go to the roots of the problem, and almost without exception have harmful consequences. The Keynesian policy of inflation failed to avert the high unemployment of 1962-3; the plans for modernisation in the North-East and Scotland (described by *The Economist* as "crutches, not cures") are unlikely to be fully successful unless private enterprise is impelled to take part in redevelopment; in a free society, regulation of the siting of industry cannot be taken too far. The government has sought to create employment without asking why men willing and able to work cannot do so; it has accepted the decay of large parts of Britain without trying to discover why renewal has not taken place; it has tried to deal with a national problem on an *ad hoc* regional basis. The special treatment of regions and the creation of development districts causes discrimination; financial inducements to industry imply preferential taxation; increases in public spending lead to inflation and a lessening of the individual's power over his own destiny.

The whole is a story of groping inadequacy — a story not of government wickedness but of government incompetence, both in thought and in action. The people who will gain most from all the special assistance to the depressed areas will be the owners of land there.

The true answer to unemployment lies not in artificial

stimulation of the economy but in the removal of the barriers that hamper, distort and prevent man from availing himself of the opportunities that a free and growing society will always present. The taxing of land values would stimulate the redevelopment which alone can make the depressed areas attractive to live and work in, and in the wider context would end the private appropriation of land-rent — the greatest barrier to the achievement of full production, to which full employment is the necessary accompaniment. Such a policy — assisted by mobility of industry, improved transport and communications, and a proper respect for regions — would be effective because it treats the problem of unemployment and imbalance of population at its roots. These roots are in the central distortion whereby the natural income of government goes to individuals and that of individuals has consequently to be taxed. The effects of land-value taxation, unlike those of other government measures, would all be good. It would benefit the parts of the country most in need, but would do so without discrimination. It would help to encourage mobility of labour, and would reduce the cost of roads. It would bring down the cost of living, in contrast to inflation which increases it. It would raise revenue instead of requiring more government spending.

The higher the rate of the land-value tax the more telling all these effects would become, but they would be felt in full force only if the tax were levied at one hundred per cent on annual value and if, in addition, all taxation that now hinders the attainment of full production by falling on labour and capital were abolished. This study has been concerned with the underlying reasons for unemployment in areas of Britain, both in the winter of 1962-3 and today, but there is one fundamental cause of unemployment everywhere and at all times.

A single tax on land values, by providing government with an unalterable income, would place a limit on public spending. Growth in public spending would continue but would be tied to the income from the rent of land, and as the amount of this income would be determined by the progress and activity of the whole community, government spending would be related automatically to the prosperity of the nation. It would be the function of the government of the day to allocate and spend the public revenue, and of the Opposition to contest and try to change that allocation, but the method by which the revenue was raised would be unquestioned, embedded in the constitution.

### Up to Date

**YOU** will never get to the root of the problem of housing unless you treat it as a part of the larger question of the tenure and use of land, and tackle that question upon the well-known lines of Liberal policy, whether you are dealing with it in its rural or in its urban aspect; the taxation and rating of land values is, in our opinion a reform which is long overdue.—Lord Oxford and Asquith.