The Great Illusion

By PETER RHODES

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IT HAS BECOME increasingly fashionable of late to ascribe the cause of current social problems to the "Affluent Society." The lowering of moral standards, the increase in the crime rate, juvenile delinquency, and rises in the incidence of drunkenness are thought by some people to be the result of increased material progress. We are led to believe that, as individual wealth increases, so moral standards decline. To support this theory we are told that an equalisation of wealth has taken place and that the tendency for the gap between the fortunate and the less fortunate to be reduced is going from strength to strength.

Quite apart from other considerations it is highly questionable whether a redistribution of incomes has, in fact, taken place. For statistics we must rely on the Board of Inland Revenue's published figures, and as this information is obtained from detailed studies of tax returns, there is very good reason to treat it with suspicion. As we know, there are many ways in which the payment of tax may be avoided, and if there exists any doubt in anyone's mind that this is so, I would recommend him to read Professor Titmuss's recent book *Income Distribution and Social Change* *. This work contains a most valuable study and criticism of the Board's statistics and the art of tax avoidance. Of the many stories quoted, my favourite remains the one about a couple who chose to live "in sin" until their twins attained the age of 21. The tax saving resulting from the postponement of their marriage was estimated to be at least £20,000.

The popular forms of tax avoidance which include covenants, trust funds, insurance, and business expenses are thoroughly explained, and presented in a most readable manner. The broad conclusions which the Professor draws from his studies suggest that, in the first place, we do not know enough about incomes in general, and what we do know tends to suggest that any change in income distribution in the recent past is far less than is popularly supposed. Secondly, that before any real conclusions could be drawn from income figures, we would have to know a lot more about necessary expenditure.

In a discussion of assets and profits, our attention is drawn to the property business in particular. *The Times*, quoting a leading firm of stockbrokers in 1960, stated that property shares as a whole had increased by 900 per cent in nine years, while *The Economist* reported that to make a capital gain of less than £200,000 on an initial investment of £1,000,000 in 1959 was considered unsatisfactory.

Having examined taxation at some length, one could hardly disagree with the author that a new approach is required, and that we ought to take another look at the distribution of "property" and its effects on society. I am not quite sure what is meant by "property" in this context, but I have a feeling that it includes more than the question of land ownership. On the question of avoidance of tax, it is suggested that a reduction of burden on taxpayers, and therefore a lessening of pressure to behave immorally, is the classical answer. This, however, would not lessen inequality. It was hoped in the past that continued economic growth would gradually reduce inequalities in some mystical way of its own; on the available information, this has not proved to be the case. It might be appropriate here to point out that Henry George argued at the turn of the century that "All that part of the general production of wealth which exceeds what the labour and capital employed could have secured for themselves . . . will go to the land owner in the shape of rent." Due mainly to the provision of welfare services, it is not immediately apparent today that (profits of privilege apart) this is still happening. If one digs a little way beneath the surface, as Professor Titmuss has done, it is difficult to escape the conclusion that George was right.

The examination of the present tax structure has shown that it lends itself to vagaries. It is a pity, but perhaps significant, that modern economists do not consider any system of taxation except one based on income. Remembering the four basic requirements of any tax — that it should bear as lightly as possible on production; that it should be easily and cheaply collected; that it should not lend itself to avoidance; and that it should bear equally on those who gain similar benefit — and remembering the potential of land values, one can only regret that no modern economist has, as yet, attempted to predict what the effects of a land-value tax might be in terms of increased production and redistributed income. Until we get nearer to this type of approach the Affluent Society will remain an unattainable catchphrase, and as such can be held responsible for anything.

It is equality of opportunity rather than absolute equality which is important, and to achieve equality of opportunity it is necessary to abolish privilege, not to redistribute income.

* George Allen & Unwin Ltd., 25s.