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P. R. STUBBINGS
U.K. and Sterling Area
8s. a year

VOL. LXIV — No. 756

Land & Liberty

Established
June, 1894
U.S.A. and Canada
$1 a year

MAY, 1957

THE MONTHLY JOURNAL FOR LAND-VALUE TAXATION, FREE TRADE AND PERSONAL FREEDOM

EDITORIAL

The Budget—A Further Dose of Poison

WITH refreshing restraint in the use of metaphor and exhortation, MR. PETER THORNEYCROFT unfolded his Budget proposals to Parliament on April 9, following what he described as the "convenient and traditional pattern." His proposals, too, conformed to recent tradition. For some there were "gifts," for others, a new burden. Substantially, however, the mixture was as before, with here and there slight changes in the ingredients.

Revenue last year, at £5,158 million, had been £265 million more than in the previous financial year (which, in turn, had beaten all previous records) but £40 million below the estimate. This year, although room for manoeuvre was limited, the Chancellor judged that he could "properly reduce the burden of taxation by a figure of about £100 million." Therefore he made no proposals to increase any of last year's tax rates, and proposed only one new impost, an excise duty of £1 on the annual combined television and radio licence fee. Here he used the well-worn "fairness" argument, contending that despite the admittedly heavy purchase tax imposed on receivers, this form of entertainment was less heavily taxed than its competitors. For the rest, Mr. Thorneycroft proposed that taxation should be re-imposed *generally* at the rates which last year caused much harm, hardship and public protest, and that certain excise duties should be at a lower rate, and certain new reliefs from direct taxation should be introduced. So far as they go the proposals are welcome. The Chancellor estimated that they would amount to £98 million in 1957-58 and to about £130 million in a full year. In summary they are as follows:

Entertainments Duty: Sport and the living theatre to be completely freed, duty on cinema seats to be reduced, duty to be imposed on the combined T.V. and radio licence fee. "No one has pretended for some time that the present arrangements are logical or satisfactory."

Overseas Trade Corporations concerned with mining, oil winning, agriculture, manufacture and processing, public utilities and distribution to be exempted from Income Tax and Profits Tax on trading profits earned abroad. "These proposals are a step towards more investment, more trade, and more exports."

Purchase Tax: To be reduced from 30 per cent to 15 per cent on domestic kitchenware and table ware, certain kinds of cutlery and furniture, and floor coverings. A defect in collection to be rectified. The proposals "will not only be welcomed by consumers, but will be of help to a number of British industries affected."

Hydro-Carbon Oil Duty: The temporary duty of 1s. a gallon imposed last December (because of Suez) to be withdrawn forthwith.

Investment Allowances: To be increased from 20 per cent to 40 per cent for the *shipping industry*. "This is a unique step for a unique industry which is the life line of our country and I must be rigid in my attitude to any requests by other industries for similar treatment." Present 20 per cent allowance to continue for capital expenditure on *scientific research* and approved *fuel saving equipment*.

Income Tax: For *elderly people* the Chancellor proposed raising the "exemption limits" and the "age relief" arrangements; the *child allowance* relief (previously at £100 for all children up to 16 years of age, and beyond where they continue their schooling) to be raised to £125 as from the year in which the child becomes 12, and to be further increased as from the year in which the child (if at school) becomes 17.

Surtax: Liability to the tax to remain at £2,000 for single persons but the ordinary Income Tax *personal allowances* (other than the single allowance) to apply also to surtax. The two-ninths *earned income relief* to be extended from the existing £2,000 limit up to £4,000, and thereafter at one-ninth up to £10,000. "Even after these changes," the Chancellor remarked, "the effective rate of tax on total earned income for a single man will range from about a quarter at £2,000 to over a half at £10,000." The earned income relief proposals " will at least ensure that of every extra £9 earned £2 will go into the pocket of the earner free of the ordinary incidence of Income Tax—though not of Surtax—up to £4,000 and £1 after that until £10,000 is reached." The changes would " cost " £24½ million in a full year.

Three minor proposals completed the list. The £4 a cwt. on imported hops, due to expire in August, would be continued; an estate duty avoidance device—the " disappearing trick "—would be countered, and an investment allowance anomaly would be stopped.

Detailed comment on the Budget proposals would be superfluous in these columns. They reflect the predicament which confronts every Chancellor, and particularly Conservatives in that office, of seeking to reconcile the irreconcilable: the demands on the one hand for continued heavy Government expenditure and on the other for drastic tax reductions. Private property in the annual rental value of land, combined with protectionism and State paternalism, and concomitant inflation, force successive Chancellors into a tight, dark corner. To quote Mr. Thorneycroft again, " *the room for manoeuvre is limited.*" In the result, year after year we are offered these footling, superficial re-adjustments in place of thoroughgoing reform.

As we have remarked, so far as they go most of the proposals this year are welcome. *They are also revealing.* For implicit in the new exemptions and the new reliefs is an acknowledgment by the man whose office makes him the most competent to pronounce on such matters (it is common knowledge anyway)—that taxation as at present levied is burdensome, confiscatory and inequitable; arbitrary, anomalous and capricious; punitive, yet to some extent capable of being avoided; and harmful to industry, trade and enterprise of every kind.

Not one of those objections applies to the only alternative—the tax that is not a tax—the single tax on land values. We refer readers to the quotation from Sir John MacDonell's book, *The Land Question,* on our back cover panel.

P. R. S.

LORD WOOLTON IS FEARFUL

SOME pointed comments on the Government's taxation policy were made by LORD WOOLTON, speaking at Wilmslow, Cheshire, on April 5, a few days before the Budget. He thought that the Government had erred since 1951 in failing to see that the absorption of such a large part of the earnings of the people by the Treasury would damage productivity, and during a period of full employment would lead to a rise in the cost of living and a fall in the value of money. " I believe that there is much wisdom in the old Gladstonian theory that it is wise to leave money to fructify in the pockets of the people. I am fearful of the economic effects of continued high taxation, whether it be direct, as income tax, or in the form of purchase tax. Such high taxation tends to destroy initiative in the individual; it hampers the re-equipment of industry and inevitably leads to extravagance in Government departments."

These and other harmful consequences of high taxation are matters for common observation in Britain today, and are the subject of a mounting volume of published protest. The value of Lord Woolton's remarks lies partly in their authorship—the noble earl was until lately a Minister of the Crown and chairman of the Conservative Party—and partly in their timing. Lord Woolton's pointed advice, offered publicly at the eleventh hour, has been virtually disregarded by the Chancellor. Heavy taxation is to wreak much the same damage this year as during recent years.

SANTA CLAUS OR ROBIN HOOD?

WHAT role does the Chancellor play in modern Britain? The question was discussed by Lord Woolton's successor as chairman of the Conservative Party, MR. OLIVER POOLE, at a party meeting in Manchester on April 27. Mr. Poole is reported as having said: " The Socialists will insist on looking on the Chancellor in his annual Budget as Santa Claus, who is distributing gifts to right and left (but mainly left). But the Chancellor is not like that at all. He is more like Robin Hood. His job is primarily taking, not giving. The Chancellor of the Exchequer is not giving any income tax- or surtax-payer a penny. All he is doing is leaving them with a little more of what is their own, mostly earned by their own hard labour."

The imagery may be juvenile but there is truth and sense in that statement. Keeping within the metaphor, we have never been able to picture Santa pilfering the toy cupboard in order to fill the stocking. But is Mr. Poole fair to Robin Hood? We like to think of the latter relieving the monopolist of his spoils and restoring wealth to the exploited and dispossessed. Not since PHILIP SNOWDEN introduced his land-value taxation proposals has a British Chancellor exercised that role.

GOLD COINS TO JINGLE

DURING the war the British Government borrowed from the United States under the Lend-Lease agreement, more than 88 million ounces of silver, for industrial and coinage purposes. Repayment of the loan was completed when the *Queen Elizabeth* docked in New York on April 3 with the final consignment of silver aboard. At present prices, the metal borrowed was worth more than £29 million. Partly in order to be able to repay the loan, the Government withdrew silver from circulation some years ago, replacing it with cupro-nickel.

By a coincidence, it was announced in Rome on April 3 that the 500-lire notes (worth about 6 shillings) are to be withdrawn from circulation, and replaced by a silver coin. At the same time the Treasury Minister, Signor Medici, was reported to be studying a plan for a partial return to gold currency. The advantages of the plan were said to be mainly psychological. Gold coins would be a tangible