

THE BUDGET RESOLUTIONS [ToC](#)

HOUSE OF COMMONS, *May 4, 1903*

The Leader of the Opposition this afternoon told us that we were at the beginning of what would be a very complex and a very protracted discussion. If that discussion continues as it has begun, the Government will have no reason to complain of it. We have made extensive and even daring proposals. Those proposals have been accepted and, on the whole, even acclaimed by the public at large, and they have not been substantially challenged in this House. The Leader of the Opposition, it is true, devoted his reasoned and temperate speech to making a careful inquiry into the foundations and the character of certain of the taxes by which my right hon. friend proposes to raise the revenue for the year; and I gathered he accepted, with such reservations as are proper to all engaged in a large discussion, and as are particularly appropriate to a [278]Party leader, the general principle of differentiation of taxation in regard to the amount of property, but that he demurred to and condemned differentiation in regard to the character of property. The right hon. gentleman singled out for special censure and animadversion the two sets of taxes in relation to land and to the licensed trade. He used an expression about some of the forms of taxation proposed by the Chancellor of the Exchequer which was a striking one. He said that they diverged from the principles which have hitherto dominated civilised society.

Even at the risk of that accusation we on this side of the House have always taken and will always assert an entirely different position in regard to the taxation of land and of liquor licences from that of the taxation of other classes of property. The immemorial custom of nearly every modern State, the mature conclusions of many of the greatest thinkers, have placed the tenure, transfer, and obligations of land in a wholly different category from other classes of property. The mere obvious physical distinction between land, which is a vital necessity of every human being and which at the same time is strictly limited in [279]extent, and other property is in itself sufficient to justify a clear differentiation in its treatment, and in the view taken by the State of the conditions which should govern the tenure of land from that which should regulate traffic in other forms of property. When the right hon. gentleman seeks by comparisons to show that the same reasoning which has been applied to land ought also in logic and by every argument of symmetry to be applied to the unearned increment derived from other processes which are at work in our modern civilisation, he only shows by each example he takes how different are the conditions which attach to the possession of land and speculation in the value of land from those which attach to other forms of business speculation.

"If," he inquires, "you tax the unearned increment on land, why don't you tax the unearned increment from a large block of stocks? I buy a piece of land; the value rises; I buy stocks; their value rises." But the operations are entirely dissimilar. In the first speculation the unearned increment derived from land arises from a wholly sterile process, from the mere withholding of a commodity which is [280]needed by the community. In the second case, the investor in a block of shares does not withhold from the community what the community needs. The one operation is in restraint of trade and in conflict with the general interest, and the other is part of a natural and healthy process, by which the economic plant of the world is nourished and from year to year successfully and notably increased.

Then the right hon. gentleman instanced the case of a new railway and a country district enriched by that railway. The railway, he explained, is built to open up a new district; and the farmers and landowners in that district are endowed with unearned increment in consequence of the building of the railway. But if after a while their business aptitude and industry creates a large carrying trade, then the railway, he contends, gets its unearned increment in its turn. But the right hon. gentleman cannot call the increment unearned which the railway acquires through the regular service of carrying goods, rendering a service on each occasion in proportion to the tonnage of goods it carries, making a profit by an active extension of the scale of its useful business—he cannot surely compare that process with [281]the process of getting rich merely by sitting still. It is clear that the analogy is not true.

We are further told that the Budget proposals proceed on the assumption that there is a corner in land, and that communities are denied the opportunity of getting the land required, whereas, it is asserted, there is in fact nothing approaching a corner in land. I do not think the Leader of the Opposition could have chosen a more unfortunate example than Glasgow. He said that the demand of that great community for land was for not more than forty acres a year. Is that the only demand of the people of Glasgow for land? Does that really represent the complete economic and natural demand for the amount of land a population of that size requires to live on? I will admit that at present prices it may be all that they can afford to purchase in the course of a year. But there are one hundred and twenty thousand persons in Glasgow who are living in one-room tenements; and we are told that the utmost land those people can absorb economically and naturally is forty acres a year. What is the explanation? Because the population is congested in the city the price of land is high upon the suburbs, and because [282]the price of land is high upon the suburbs the population must remain congested within the city. That is the position which we are complacently assured is in accordance with the principles which have hitherto dominated civilised society.

But when we seek to rectify this system, to break down this unnatural and vicious circle, to interrupt this sequence of unsatisfactory reactions, what happens? We are not confronted with any great argument on behalf of the owner. Something else is put

forward, and it is always put forward in these cases to shield the actual landowner or the actual capitalist from the logic of the argument or from the force of a Parliamentary movement. Sometimes it is the widow. But that personality has been used to exhaustion. It would be sweating in the cruellest sense of the word, overtime of the grossest description, to bring the widow out again so soon. She must have a rest for a bit; so instead of the widow we have the market-gardener—the market-gardener liable to be disturbed on the outskirts of great cities, if the population of those cities expands, if the area which they require for their health and daily life should become larger than it is at present.

[283]I should like to point out to the Committee that the right hon. gentleman, in using this argument about the market-gardener, recognises very clearly—and I think beyond the possibility of a withdrawal—the possibility of these cities expanding and taking up a larger area of ground in consequence of the kind of taxation which my right hon. friend in his land taxes seeks to impose. But let that pass. What is the position disclosed by the argument? On the one hand we have one hundred and twenty thousand persons in Glasgow occupying one-room tenements; on the other, the land of Scotland. Between the two stands the market-gardener, and we are solemnly invited, for the sake of the market-gardener, to keep that great population congested within limits that are unnatural and restricted to an annual supply of land which can bear no relation whatever to their physical, social, and economic needs—and all for the sake of the market-gardener, who can perfectly well move farther out as the city spreads, and who would not really be in the least injured.

We take the view that land cannot be regarded as an ordinary commodity, nor are we prepared to place publicans' licences [284]in the same position as ordinary property. A licence is a gift from the State, and the licensed trade is subject to special restrictions and special taxation; this has been recognised by all parties and by all Governments. The position in regard to licences, as we know perfectly well, has been sensibly and, indeed, entirely altered in the course of the last few years. We have seen the assertion on the part of the licensed trade of their right to convert their annual tenancy of a licence from what it has been understood to be, to a freehold, and in that position they must face the logical consequences of the arguments they have used and of their action. If there are any hardships to them in the taxation proposed, let the hardships be exposed to Parliament and they will be considered in no spirit of prejudice or malice. Do not, however, let us have attempts to represent that the tax which involves an increase in the cost of production extinguishes the profits of the industry. It does not necessarily affect the profits of the industry; it is not a deduction from resultant profits; it is an incident in the turnover. If there are hard cases and special instances, we are prepared to meet them with the closest attention and with [285]a desire to avoid severity or anything like the appearance of harsh treatment of individuals. But we decline to regard licences or land on the same footing as ordinary property. Licences are not to be regarded as ordinary

private property, but as public property which ought never to have been alienated from the State.

No one will deny that we are making very considerable proposals to Parliament for the finance of the year; but the Conservative Party have gravely compromised their power of resistance. Those who desire to see armaments restricted to the minimum consistent with national security, those who labour to combat the scares of war, and to show how many alarms have no foundation,—those are not ill-situated, if they choose to make criticisms on the scale and scope of the finance required for the year's expenditure. But an Opposition that day after day exposes the First Lord of the Admiralty and the Prime Minister to a rain of questions and cross-questions, the only object of which, or an important object of which, is to promote a feeling of insecurity, involving demands for new expenditure of an almost indefinite character, those who, like the right hon. Member ^[286]for Dover,^[16] hurry to and fro in the land saying—or was it singing?—"We want eight, and we won't wait"—they, at least, are not in the best position to tell the taxpayer to call on some one else. Surely a reputation for patriotism would be cheaply gained by clamouring for ships that are not needed, to be paid for with money that is to come from other people.

There is another set of arguments to which I should like to refer. We have been long told that this Budget would reveal the bankruptcy of free-trade finance, and the Leader of the Opposition, seeking from time to time for a sound economic foothold in the fiscal quicksands in which he is being engulfed, has endeavoured to rest the sole of his foot on tariff for revenue. The adoption of a policy of tariff reform, we have been told, had become absolutely necessary if the revenue of the country was to be obtained and if a natural expansion were to be imparted to it. But now, if we may judge from the newspapers, one of the complaints made against the free-trade system and the free-trade Budget of my right hon. friend is not that the revenue will expand too little, but that ^[287]there is the possibility that it will expand too much. It is not that we have reached the limits of practicable free-trade taxation, but that the taxation we now ask Parliament to assent to, will yield in the second year a much more abundant return than in the first year, and that in subsequent years the yield will increase still further. In the words of *The Times* newspaper: "The Chancellor of the Exchequer has laid broad and deep the basis of further revenue for future years."

Those who lately taunted us with being arrested by a dead wall of Cobdenite principles are now bewailing that we have opened up broad avenues of financial advance. They came to bewail the deficit of this year: they remained to censure the surplus of next. We may, no doubt, in the future hear arguments of how protection will revive industry and increase employment, as we have heard them in the past; but there is one argument which I should think it unlikely would be effectively used against us in the future, and that is that a free-trade system cannot produce revenue, because one of the criticisms which is emphatically directed against this Budget is on account of that

very expansiveness [288]of revenue which it was lately declared a free-trade system never could produce.

But that is not the only vindication of free-trade finance which is at hand. How have foreign countries stood the late depression in trade? The shortfall of the revenue from the estimates in this country was last year less than two millions, in Germany it was eight millions, and in the United States over nineteen millions. Let the House see what fair-weather friends these protectionist duties are. In times of depression they shrink. In times of war they may fail utterly. When they are wanted, they dwindle, when they are wanted most urgently, they fade and die away altogether.

And what is true of the taxation of manufactured articles as a foundation for any fiscal policy is true still more of the taxation of food, and of no country is it so true as of this island. For if you were ever engaged in a war which rendered the highways of the ocean insecure the rise in prices would be such that all food taxes would have to be swept away at once by any Government which desired to use the whole vigour of its people in prosecuting the war. This year, with its [289]trade depression and its excellent maintenance of the revenue, has seen the vindication of free trade as a revenue-producing instrument; next year will see its triumph.

I have no apprehensions about the Budget which is now before the Committee. As Mr. Gladstone said, in introducing the Reform Bill of 1884, what is wanted to carry this measure is concentration and concentration only, and what will lose this measure is division and division only. And I venture to think that it will not only be a demonstration of the soundness of the economic fiscal policy we have long followed, but it will also be a demonstration of the fiscal and financial strength of Great Britain which will not be without its use and value upon the diplomatic and perhaps even upon the naval situation in Europe.

The right honourable Member for East Worcestershire [17] said this Budget was the work of several sessions, if not indeed of several Parliaments. The statement is exaggerated. The proposals outlined do not in any degree transcend the limits of the practical. A social policy may be very large, but at the same time it may be very simple. All these projects of [290]economic development, of labour exchanges, of insurance for invalidity, and unemployment, which depend on money grants, may require very careful and elaborate administrative adjustment; but so far as Parliament is concerned they do not impose difficulties or make demands upon the time of the House in any way comparable to those which are excited by the passage of an Education or a Licensing Bill, and I see no reason whatever why we should not anticipate that in the course of this session and next session we should be able to establish a wide and general system of national insurance, which, more than any other device within the reach of this generation of the workers of our country, will help to hold off from them some of the most fatal and most cruel perils which smash their households and ruin the lives of families and of workmen.

On many grounds we may commend this Budget to the House. It makes provision for the present. It makes greater provision for the future. Indirect taxation reaches the minimum. Food taxation reaches the minimum since the South African war. Certainly the working classes have no reason to complain. Nothing in the Budget touches the [291]physical efficiency and energy of labour. Nothing in it touches the economy of the cottage home. Middle-class people with between £300 and £2,000 a year are not affected in any considerable degree, except by the estate duties, and in that not to a large extent, while in some cases they are distinctly benefited in the general way of taxation. The very rich are not singled out for peculiar, special, or invidious forms of imposition.

The chief burden of the increase of taxation is placed upon the main body of the wealthy classes in this country, a class which in number and in wealth is much greater than in any other equal community, if not, indeed, in any other modern State in the whole world; and that is a class which, in opportunities of pleasure, in all the amenities of life, and in freedom from penalties, obligations, and dangers, is more fortunate than any other equally numerous class of citizens in any age or in any country. That class has more to gain than any other class of his Majesty's subjects from dwelling amid a healthy and contented people, and in a safely guarded land.

I do not agree with the Leader of the Opposition, that they will meet the [292]charges which are placed upon them for the needs of this year by evasion and fraud, and by cutting down the charities which their good feelings have prompted them to dispense. The man who proposes to meet taxation by cutting down his charities, is not the sort of man who is likely to find any very extensive source of economy in the charities which he has hitherto given. As for evasion, I hope the right hon. gentleman and his supporters underrate the public spirit which animates a proportion at any rate of the class which would be most notably affected by the present taxation. And there is for their consolation one great assurance which is worth much more to them than a few millions, more or less, of taxation. It is this—that we are this year taking all that we are likely to need for the policy which is now placed before the country, and which will absorb the energies of this Parliament. And, so far as this Parliament is concerned, it is extremely unlikely, in the absence of a national calamity, that any further demand will be made upon them, or that the shifting and vague shadows of another impending Budget will darken the prospects of improving trade.

[293]When all that may be said on these grounds has been said, we do not attempt to deny that the Budget raises some of the fundamental issues which divide the historic Parties in British politics. We do not want to embitter those issues, but neither do we wish to conceal them. We know that hon. gentlemen opposite believe that the revenue of the country could be better raised by a protective tariff. We are confident that a free-trade system alone would stand the strain of modern needs and yield the expansive power which is necessary at the present time in the revenue. And our proof shall be the swift accomplishment of the fact. The right hon. gentleman opposite and his friends

seek to arrest the tendency to decrease the proportion of indirect to direct taxation which has marked, in unbroken continuity, the course of the last sixty years. We, on the other hand, regard that tendency as of deep-seated social significance, and we are resolved that it shall not be arrested. So far as we are concerned, we are resolved that it shall continue until in the end the entire charge shall be defrayed from the profits of accumulated wealth and by the taxation of those popular indulgences which cannot be said [294]in any way to affect the physical efficiency of labour. The policy of the Conservative Party is to multiply and extend the volume and variety of taxes upon food and necessaries. They will repose themselves, not only, as we are still forced to do, on tea and sugar, but upon bread and meat—not merely upon luxuries and comforts, but also on articles of prime necessity. Our policy is not to increase, but whenever possible to decrease, and ultimately to abolish altogether, taxes on articles of food and the necessaries of life.

If there is divergence between us in regard to the methods by which we are to raise our revenue, there is also divergence in regard to the objects on which we are to spend them. We are, on both sides, inclined to agree that we are approaching, if we have not actually entered on, one of the climacterics of our national life. We see new forces at work in the world, and they are not all friendly forces. We see new conditions abroad and around us, and they are not all favourable conditions; and I think there is a great deal to be said for those who on both sides of politics are urging that we should strive for a more earnest, more strenuous, more consciously [295]national life. But there we part, because the Conservative Party are inclined too much to repose their faith for the future security and pre-eminence of this country upon naval and military preparations, and would sometimes have us believe that you can make this country secure and respected by the mere multiplication of ironclad ships. We shall not exclude that provision, and now indeed ask the Committee to enable us to take the steps to secure us that expansion of revenue which will place our financial resources beyond the capacity of any Power that we need to take into consideration. But we take a broader view. We are not going to measure the strength of great countries only by their material resources. We think that the supremacy and predominance of our country depend upon the maintenance of the vigour and health of its population, just as its true glory must always be found in the happiness of its cottage homes. We believe that if Great Britain is to remain great and famous in the world, we cannot allow the present social and industrial disorders, with their profound physical and moral reactions, to continue unchecked. We propose to you a financial scheme, but we also advance a policy [296]of social organisation. It will demand sacrifices from all classes; it will give security to all classes. By its means we shall be able definitely to control some of the most wasteful processes in our social life, and without it our country will remain exposed to vital dangers, against which fleets and armies are of no avail.

FOOTNOTES:

[16]Mr. Wyndham.

[17]Mr. Austen Chamberlain.