

Fabian Tract No. 194.

TAXES, RATES
AND
LOCAL INCOME TAX.

BY
ROBERT JONES, D.Sc.

PUBLISHED AND SOLD BY THE FABIAN SOCIETY,
25, TOTHILL STREET, WESTMINSTER, LONDON, S.W.1
PRICE TWOPENCE. JUNE, 1920.

TELEPHONE: VICTORIA 1915.

THE FABIAN BOOKSHOP

25, Tothill St., London, S.W.1.

All books in print on Economics, Politics, Social and Industrial Questions and History as well as General Literature can be supplied.

Enquiries with regard to works on any subject will be replied to promptly.

Books and Pamphlets dealing with the aims and history of the Labour and Socialist Movement and of the Labour Party are the special features of the Bookshop.

The Fabian Society supplies to Socialist Societies, Co-operative Societies, Local Labour Parties, Trade Unions, Trade Councils, Labour Clubs, Reading Societies, Study Circles and Public Authorities,

BOXES OF BOOKS

on Political, Historical, Economic and Social subjects; both up-to-date new books and classical works. Each box contains from twenty to twenty-five volumes selected from a library of 5,000 books in accordance with the wishes of the subscribers.

For prospectus and application form write to:—

THE FABIAN SOCIETY, 25, Tothill Street., London, S.W.1.

Taxation.



TAXES, RATES, AND LOCAL INCOME TAX.

Local Finance.

THE whole business of local government stands in need of revision, and that revision must include a great deal of simplification. To no branch of local government does this apply more completely than to its finance. The present system is the result of a great number of laws, and its complications are not all of one kind. Some of them represent real differences in the proportion of local and national interests, others seem to have no justification whatever.

Central and Local Finance.

State subventions, in one form or other, have rapidly increased. Before Mr. Goschen formed the Local Taxation Account (1889), that is to say, "in the eighties," the State subvention was about one-ninth of the total local expenditure. In the pre-war period of this century, the proportion was about one-quarter. The tendency to increase the State subvention still continues. For the Education Act of 1918, it was fixed at one-half.

Principles.

There are no sound principles of local finance that differ, or can properly differ, from the principles of national finance. It is unfortunate that local affairs and local finance, being so complicated, should be so often considered by themselves. The trees hide the shape of the wood. This difficulty occurs along with another, which is similar in its effect—the slow growth of a knowledge of principles, and the long persistence of incorrect ideas, not only among the general public, but among large classes of the better instructed.

This slow fixing of sound principles is in part the result of natural human conservatism, and partly is caused by the fact that certain vested interests will grow around the incorrect view, strengthening it, finding reasons for it (a common and natural process), and upon occasion defending it with righteous anger. These causes are by no means small and subsidiary.

The following examples will illustrate the meaning and importance of what has been said above :

Some Examples of the "Time-Lag" of Knowledge :

(1) *The Nature of Taxation.*

Tribute, taxes, rates, impositions, in one form or another, have been levied for thousands of years. The principles of finance and of taxing have been discussed for twenty centuries. Yet no really correct definition of a tax appears until the first part of the nineteenth century. Now our ideas of the correct method of levying, collecting, spending rates and taxes depend very largely upon our idea of what a tax actually is. While people thought that a tax was a price paid for State protection, just as money might be paid to buy soap, they were likely to take an individualist view of public finance, and to judge of it as they judged business transactions in general. But rates and taxes are essentially communal, and not individualist, and it is just because this has not been properly grasped that certain people would find themselves startled by an imaginary conversation of this kind :

"London has got an immense and valuable property, able to yield hundreds of thousands a year—"

"It should be made as fully profitable as possible."

"The cash return from it is practically nothing. Yet a syndicate of capitalists could be formed to-morrow to take it over and pay a million or so a year for it."

"—And the rates bounding up! Scandalous! It should be disposed of at once."

"It is Hyde Park."

"Ah, well, of course—"

Now the gentleman who ends this imaginary conversation in such fashion would not have fallen into so simple a trap if his ideas of what is valuable, productive, profitable, had been built upon the communal, as well as upon the individualist meaning of those words.

In similar fashion, the old idea of a tax being a kind of price paid for State benefits received is only true in the communal sense. The total "payments" made to the local and central authorities, would not be made at all unless we had a belief—strong, even if confused—that very important benefits would result. But these benefits cannot be counted out, for each individual, in portions of so much for each £1 of rates or taxes. This confusion of communal with individualist ways of reckoning creates, in many directions, a series of false contradictions. Thus it is equally true to say that Hyde Park yields no income (dividend, profit, rent, cash), and that it yields a valuable income of health, education, happiness.

Taxes, as Mr. Sidney Webb puts it, represent the part of our incomes that we arrange to have spent for us by the community, and as the community directs. But a tax differs from an ordinary

price in two respects : it is compulsory, and it is not proportioned to the "benefit" received in return. If sixpence buys a pound of soap, we expect a shilling to buy two pounds. But a doubling of rates or taxes by no means implies a doubling of the "benefit received." The parallel is truer in the case of the rate than in the case of the tax, though it is not correct for either of them. Rates, however, are in many cases linked with definite measurable services, such as road-mending or street lighting; and this is partly the reason why the old "benefit" idea has dominated local more completely than national finance. When a great part of local expenditure went to make improvements that increased the value of land, the idea of benefit to the landowner had a reality that sometimes got carried over, in mere confusion of thought, to the community in general. A century ago (1814) seventy per cent. of rates was levied upon land. On the outbreak of the war (1914) the percentage was twelve. The change was due chiefly to the increase in the value of buildings, and to the introduction of a new item, railways. It resulted partly, however, from the efforts of the landed interest to shift the burden to the taxpayer.

(2) *Progressive or Graduated Taxation.*

The change of public opinion in favour of graduated or progressive taxation illustrates both the slowness of the spread of a new idea (in finance as in other matters) and also, the speed of the spread of the same idea under an effective method of education. The third (1903) edition of our standard textbook on Public Finance (Bastable) still shows a distrust of graduated taxation, only less strong than that of the earlier editions. It reflects the sense of justice of the citizen of the nineteenth century, for our fathers honestly thought it unjust to tax an income of £2,000 a year at a higher percentage than an income of £200 a year. The basis of all rating and taxing must be the sense of justice or equity of the time, and this is a variable for which there is no fixed standard beyond the law of the land for the time being. We cannot apply that standard when it is a question of altering the law of the land, and that is what every change of taxation implies.

(3) *Taxes upon Income.*

The income tax is now the sheet-anchor of our national system. Many people are now discussing its application to local finance—an application already made, on the continent, and indirectly already adopted here, through our Grants in Aid. Yet Gladstone apologised for using an income tax in times of peace. He viewed it as an abnormal impost, only proper to such cases as the hard times of war. We think differently to-day.

Here again we see the educative force of actual practice. Just as to the ordinary citizen taxes should first of all be "fair"; just as to the economist they should not check the production of desirable goods, or encourage the production of undesirable goods; so to the Chancellor they should be productive; and no Chancellor lightly abandons any productive tax, once levied, however bitterly his party may have condemned it on its first appearance. It is scarcely credible to this generation that in 1816, the wealthy Whig party was able to get Wiltshire farm labourers—none of them earning so much as 10s. per week—to send resolutions to the House of Parliament protesting against the iniquity of continuing the income tax. The proposal was to continue the tax, reduced from 10% to 5%, on incomes over £150 per year. The national conscience, upon this instruction, was roused (!) and income tax disappeared from our Budgets. Only as an "exceptional tax" was it re-imposed (at sevenpence in the pound) in 1842.

(4) *Direct Taxation.*

The next example has an increasing interest just now, because the old dispute about direct and indirect taxation is re-emerging.

On the continent indirect taxes have long formed a part of local finance, as well as figuring in national systems,—the *octroi*, or tariff upon goods entering towns or districts; but so far (except in a few isolated cases) we have escaped town tariffs. The present Lord Chancellor wrote in 1909: "With characteristic arrogance, Mr. Lloyd George has thrown over the financial maxims of the past. Instead of an even balance between the two sets of taxes—direct and indirect—the direct burdens are more the heavier by about 7 per cent." But the economics of a Lord Chancellor-to-be are unknown to economists. The "even balance" is a myth that began to haunt the lobbies of the House when the proportion of indirect to direct taxes fell steadily from 73:27 (1840) to 50:50 (1900). The creators of the myth had simply "rationalised" their desire to check the movement. But the movement continued. The ratio of indirect to direct taxes was calculated, in 1917, as 18 : 82; and Mr. Austen Chamberlain, in April, 1919, stated the proportions of his budget taxes thus—Direct 75%, "Sumptuary," 17,91%, Indirect, 7,01 (essentially, Direct 75, Indirect 25). There is no reason known to the economist in favour of any particular ratio between them.

Indirect taxes by raising prices necessarily check consumption, and therefore check production. Hence they are best applicable to such commodities as in the opinion of the nation may at least be limited without any real harm resulting—whiskey and tobacco, for example. They should not be levied on food, on necessities, on any educative product or habit. They have the serious drawback

that they do not and cannot be distributed according to "ability to pay." Further, they are not "progressive" in their graduation, but very often degressive. A tax on bread falls most heavily where it should fall most lightly. Finally, indirect taxes make for a bad training in citizenship. All who exercise the rights of citizenship should share its duties, among which is to bear a just proportion of the national expenses. Representation without taxation is tyranny. No adult sane citizen should escape taxation; and therefore no citizen should ever live at "bare subsistence" level; for in that case, of course he—or she—is incapable of paying any tax. Lastly, every citizen should be aware of his citizenship, and take some pride in it. Indirect taxes hide from him the fact that he is paying at all. How seldom does an educated man, when he buys tobacco, realise that he is paying a tax? How often, do uneducated men, who pay no taxes directly, think that they escape? If a man pays rates embodied in his rent, and taxes only in the extra prices of the goods he buys, he loses a healthy continuous lesson in citizenship. A good State should ensure good citizens by these three methods, namely,

(a) By seeing to it that no citizen is incapable of contributing to the common fund;

(b) By claiming from every citizen a contribution according to his abilities (which does not mean "in proportion to his income," although Adam Smith thought these two were one and the same, and others, with less excuse than he had, still can think no more clearly. For a man with £1,000 a year is able to pay more than twice as much as another with £500 a year);

(c) By seeing to it, lastly, that the citizen not only pays, but knows that he pays, knows how much he pays, knows why he pays. If these things are hidden from him, or not clear to his mind, to that extent he is the less a good citizen.

It is a convenience to a Chancellor of the Exchequer if a tax, being disguised, arouses little opposition while providing a goodly sum. But it is a poor public spirit that grows from such ill statesmanship. Secret taxation is no more to be commended than secret diplomacy. Necessary or not, it is never admirable in itself.

These examples illustrate (1) the importance of keeping the main principles of finance in view;

(2) the need of repeating them, and the comparative danger of assuming, in the detail of local affairs, that the general principles of finance may be taken for granted; and

(3) the curious slowness in the spread of an idea, while it is still an "abstract idea," however good may be the reasons that support it; and the equally curious speed at which a nation can absorb an idea when it has been translated into practice, by a Chancellor of the Exchequer for example.

Ratings.

Professor Cannan has pointed out that two principles have in the past controlled the development of local finance :

(1) That every inhabitant of a district should be made to contribute according to his ability ; and

(2) That everyone who receives benefit from the local expenditure should be made to contribute in proportion to the benefit he receives.*

“ Applied to the same rate,” he says, “ these principles are obviously incompatible,” and he goes on to show that a very fair approximation to rough justice is in fact reached by the counteracting effect of the two principles.

Rates are in effect taxes upon property rather than on income. It has often been pointed out that where two individuals, say a diamond merchant and a timber merchant, have equal incomes, it by no means follows, that they have equal holdings in fixed property,—land and buildings ; and that therefore it is absurd to assess their rates upon their properties. But the rates in both cases are really paid by the owners of the land on which the offices or timber yards are placed (except in the case of new rates or taxes). A fuller account is given under the heading “ Local Income Tax,” further on.

Rating is a method developed in connection, first of all, with the Poor Rate, and afterwards applied to other local purposes. The probable abolition of the Boards of Guardians in the near future will compel the setting-up of a revised system of assessment of the value of properties. The Overseers or the Boards of Guardians are still the valuers for rating purposes in many places, and even in some London Boroughs—Woolwich for example. The contrast between the relative unimportance of the Guardians, as illustrated by the apathy that marks their election, and the very great importance of the work of assessment entrusted to them, is one of the anomalies of local government. Highly responsible work should go to highly responsible bodies or individuals.

Newer Ideas of Finance.

Almost during the last generation, the following new ideas, proposals, or practices have come forward.

1. *Graduated scales.*—This was a re-emergence. Athens in the fourth century B.C. had a graduated scale of taxation.

* History of Local Rates in England in Relation to the Proper Distribution of the Burden of Taxation: Second Edition, 1912. P. S. King, 3s. 6d. net.

2. *The distinction between Earned and Unearned Incomes.* Very largely this is an attempt to tax economic rents, or unproductive surpluses. Mr. J. A. Hobson has elaborated the whole idea in several recent books.*

3. *The Super Tax*: an extension of the ideas in (1) and (2), above.

4. *The Excess Profits Tax*: a well-meant but rather clumsy further extension.

5. *A Luxury Tax*: This might have been made economically useful, though in a small way. The temptation it offered to those who really desired more indirect taxation, or merely protectionism, proved stronger in action than any desire of economic purity. It was abandoned (1918).

6. The acceptance of the Tax on Income, in terms of Ability to Pay, as the "sheet-anchor" of our system.

7. The recognition of the Family as an economic unit. This has already expressed itself in the form of wife-and-children abatements. The assessment and taxing of the Family Income as a distinct unit, however, is yet only a suggestion.

8. *Municipal Enterprises.* This is a subject for a whole treatise. It has a long history of Beginnings, with a period of comparative disappearance, and a modern History of Emergence; this last dating from the decay of the Individualist Period (18th—19th Centuries).

9. The general superiority of direct to indirect taxation.

10. The equity and practical wisdom of making exemptions and abatements, now applied to (a) life assurance, (b) children, (c) wives; and, with vicissitudes that show the opportunism and empiricism of governments, to small incomes.

11. The definite relation of taxpaying to a sense of citizenship.

12. The right application of taxes upon income to local expenditure.

13. Taxes on persons in proportion to their wealth, fortune or "riches" as in the schemes for a Capital Levy.

Municipal Undertakings.

The extension of Municipal Undertakings, with their analogue, the Nationalisation of Industries, represents for the future a change in the nature of national and local finance so great as to dwarf all other developments. For national action, the way is open. The first "communally-minded" Parliament that meets will probably take two or three important steps of this kind,—unless, indeed, it is anticipated by a Parliament of shareholders who fear being bought out without "extra compensation for forced sale" or some similar formula.

* See the *Industrial System*; Longmans, 1909; and his *Taxation in the New State*; Methuen, 1919.

For local authorities, however, two preliminary steps are needed for the efficient development of municipal undertakings :

(1) The simplification of the present innumerable areas and authorities—possibly into Parish and Borough Councils only, with the County Council as the larger unit of area outside the County Boroughs ; and

(2) The grant of powers to the County and Borough Councils to do anything they wish except only those things that Parliament specifically forbids. At present, we are unable to see how droll we are in holding it ridiculous to force a company owning a private fleet of motor buses to get a special Act of Parliament passed, as a kind of certificate of birth, while insisting that if the same fleet of motor buses is to belong to the London County Council, a certificate of this kind (very costly upon occasion) must be insisted on. Profits, we seem to say, may go to profiteers or to profit-makers ; but only to profit sharers by an Act of Grace. Thus also the capital of a profit-making Company, when it is taken over by a public body, is to some good folk, no longer capital, but a burden of debt. Yet we smile at the Wiltshire labourers of 1816.

Central Control, Central Grants.

State Grants must always imply State control, and this will be good or bad according to the intelligence of the control department : but that is a limitation belonging to all human concerns. Broadly speaking, central control acts for the common good—

(1) When it encourages active and public-spirited local authorities ;

(2) When it maintains, against local apathy or ignorance, any necessary “ National Minimum ” ;

(3) When it leaves the door open for new ventures and experiments ;

(4) When it controls, and in extreme cases punishes, local bodies that through inefficiency or corrupt interests act against the public weal.

As a rule, action taken under (1) (2) and (3) is far more effective and valuable than the more sensational acts possible under (4). Here again the general law of human government applies, whether for nation, village, family, school, or any other group : that the methods of good government seek to prevent the need of punishment arising, just as good housing outvalues the best supply of medicines.

Scarcely any of the activities of a local authority are purely local in their effects ; so that the range of State subventions, or grants-in-aid, is a very wide one. The best method of payment

is that adopted in the Education Act (1918) and likely to be extended to other branches of work. The Board of Education says in practice to the local authority: "If you go beyond the compulsory National Minimum of Education laid down for general use, then, whatever educational work you may undertake, whether experimental or not, so that you demonstrate that it is educational work, we will pay half your expenditure." But this should be accompanied, as was elaborately worked out in 1913-14, by a scale graduated so as to help even more liberally the districts of low rateable value in proportion to the necessary service.

Local Income Tax.

An extension of this method of Grants, together with a "free hand" for municipal enterprises and undertakings, would solve the difficulties of local finance so completely that the movement for a local income tax would probably cease. It would be merged into activities that would yield all that is being sought by the public-spirited people who are pressing for this particular change.

There is one hidden danger connected with a Local Income Tax that should have special mention. It is the danger that a Local Income Tax should replace part or all of the present system of rates. Every landowner and houseowner who is both selfish and intelligent ought to be an ardent supporter of the idea of sweeping away as much as possible of the present rates, and substituting a Local Income Tax. The effects would work out somewhat in this fashion:

Any fixed charge upon land, such as tithe or rates, as soon as it is recognised as being fixed, must either be paid by the landlord at once, or, in the first instance, by the tenant. If by the tenant, he of course must reckon with it as with his rent; if he is to pay £150 rent and £50 fixed charge in rates he has a clear item of £200 expenses to face. Suppose, now, the £50 rates removed, and a Local Income Tax on the whole community put in its place, the tenant paying, we will say, £10 towards this tax. Until his lease runs out, he will be paying £160 (£150 + £10) instead of £200; a gain to him of £40 per year. On the renewal of the lease, the landlord will ask for rent anything up to £190, for that will leave the tenant just as well off as before. Out of this £40 extra the landlord will pay his quota of the Local Income tax, which at the same rate will be less than £3 (the tenant paying £10 in £150, or one-fifteenth). If he pays at a higher poundage he may have to yield as much as £5 out of the £40. He is better off by £35 per year. The change would mean a gift to the holders of real estate, whether land or houses, running into tens of millions, even after allowing for the landowners' share in the new Local Income Tax.

Classification of State Grants.

The Goschen system of the Local Taxation account was intended to be the general and chief method of dealing with local finance. Fixed fractions of fixed taxes would go into a distinct fund, and from this fund payments would be allocated and made to the local authorities.* There were State payments, however, apart from this fund, notably payments for Education. These were at first held to be exceptional, but they have in fact become the most significant part of local finance. The direct grants are now double the amount paid from the Local Taxation Account, and they tend to increase still further. The Grants have been classified thus :

1. Amounts fixed : that is, not based on the present actions or activities of the local authority (*e.g.* the " Whiskey Money," or share in the Customs and Excise Revenue).
2. Amounts paid for the services or " efficiencies " of the local authority; being payments for services rendered and approved, but not proportioned in any way to the local expenditure.
3. Amounts calculated on a percentage of approved local expenditure. This promises to be the typical Grant, and the percentage now favoured is 50 (like the " Police Grant " of 1874, then raised to half the expenditure). But a higher percentage has been given in some instances, and there is no valid argument against 75 or even 85 per cent, instead of 50.

The practical solution of the national—local discussion, at the present day, comes briefly to this : a prescribed percentage share of the actual expenditure on all local services which the community wishes, for the common benefit of the nation, to see increased ; with due provision for the needs of districts of low rateable value. On the side of direct finance, it would seem advisable to leave that solution to be further applied, and to help in its application. Side by side with this, local authorities should work for the " free hand " in municipal ventures. Such freedom is the likelier to be gained if the number of local bodies is reduced, and their position rendered more responsible. A practical " local authorities programme " would be :

1. Fewer authorities with more authority.
2. All powers except those definitely withheld by statute.
3. Acceptance and furtherance of the Grant in Aid method,[†] of a percentage of actual expenditure for the immediate future.

* A diagram in Dr. Grice's book, *National and Local Finance*, P. S. King, 1910, illustrates the process.

A Single Tax.

We have all of us a natural tendency, when faced by any complicated system, to desire it simplified ; and if simplified into one type or method, so much the better. This feeling makes a part of all movements in favour of a single tax, whether on land or on income. The same feeling adds to the attractiveness of the idea of a local income tax ; for we have all moved towards a belief in these tenets :—

(a) Income is a better general test of wealth than is occupation of property, though less good than assessment in proportion to capital wealth or " riches."

(b) The tax on income is the best type of tax, because it is the most just (but consider the alternative of taxation in proportion to capital wealth).

(c) The income tax avoids all discussions of tariffs, preferences, bounties.

(d) Income and capital taxes can be assessed according to graduated scales with exemptions and abatements.

Against these must be put the fact, of which everyone knows examples, that people in certain occupations persistently evade income tax. This is a remediable weakness capable of steady reduction by improved administration. A less obvious danger, and one to be specially noted in discussing plans for a local income tax, has already been mentioned. No rates or taxes, such as those upon fixed property, should be removed in order that an income tax may replace them, for that would in effect be equivalent to making a disguised gift to the present holders of the property.

Our knowledge of economics and finance, and our experience of administrative methods, are a very long way from being so complete as to enable us to sweep away all our various rates and taxes in favour of any one tax, without, at the same time, very greatly benefiting some classes, or very unfairly hurting others, or both. To this there is but one possible limitation :

All " economic rent " can be taxed up to 100% without any injury whatever to the powers of production of the nation, for rent-takers, as such, give no services,—though they may do so in other capacities, if not as rent-takers. Now it is roughly possible to assess the " economic rent " of land, but it is not yet practicable to assess and tax all economic rents. Until that can be done, and is done, a mixed system of taxation is the most practicable one. Thus, a balance against the escape from income tax of certain groups may be found in a fuller and properly graduated tax upon transactions above a fixed amount— a method already in use in our " receipt stamps." This in turn, has the objection of being a tax on trade, and therefore a check upon production. It is only cited here to illustrate the difficulties of complete simplification.

The Demand for a Local Income Tax.

▼ The case for a Local Income Tax appears irresistible—until the difficulties are realised! The system of charging all the expenses of Local Government upon the occupiers of premises, approximately in proportion to the rental value of those premises, (i) fails to extract any direct contribution from the ground landlord or absentee owner of property; (ii) secures a quite unduly small contribution from the man with a big income occupying a small house; (iii) unfairly penalises the shopkeeper, the doctor, or the farmer, who pays in rent more than the average proportion of income; (iv) weighs heavily on the large family needing more rooms than the small family of like means; (v) operates as a discouragement to building additional houses; (vi) is specially unfair to the clergyman deriving his professional income from tithe, which (alone among professional incomes) is assessed to the rates; and (vii) makes the ratepaying occupiers disproportionately sensitive about any municipal improvements which involve a rise in rates. Moreover, the system by which each Local Authority has to provide, by rates levied on the occupiers within its area, for all the expenses of its administration, (a) weighs unduly on the “cities of the poor” with relatively low rateable value, and unfairly exempts the “cities of the rich” where rateable value is high; and (b) exacts from occupiers in the working-class districts an unfair share of the cost of the thoroughfares, the local drainage, the elementary schools, and the Public Health services, incurred in the common interest of the nation. Under this pressure the rates in some districts have risen even beyond “twenty shillings in the pound,” whilst in others, no more economically managed, they are only a quarter of this rate.

What is a Local Income Tax?

It is accordingly suggested by some reformers that each Local Authority should be empowered to levy the whole, or some portion of the revenue that it requires, not according to the rental value of the premises occupied, but according to the incomes enjoyed by the several inhabitants, with provisions for the total exemption of very small incomes, and the mitigation of the impost on small incomes by Abatements, Wife and Children Allowances, etc., as for the National Income Tax. Such a Local Income Tax, it is urged, is in force in Germany and other countries.

A Local Income Tax Impracticable here.

Unfortunately, such a measure appears to be in this country both impracticable and inexpedient, at any rate in the form in which it is usually proposed, for the following reasons:

(A) The British Income Tax is, to the extent of more than two-thirds, “assessed at the source,” in such a way as to make it

impossible to discover the total incomes of the inhabitants of each locality ; and this system is demonstrably so important in preventing evasion that it will certainly never be abandoned by any Government. Each Local Authority would, therefore, have to create its own machinery for assessment and collection of any Local Income Tax, which it would be extraordinarily difficult to institute and conduct with any accuracy or completeness.

(B) Even if this local machinery could be provided, the difficulty of deciding (i) where the income should be assessed, and (ii) how much of it should be assessed by each Local Authority, appears, in innumerable cases, insuperable. Consider (a) the common case of a man earning his income in the business area, and residing in the suburbs outside the Municipality ; (b) the case of a man maintaining several residences (*e.g.*, a cottage in the country as well as a house in the town) ; (c) the case of the proprietors of a business with different branches or " multiple shops " ; (d) the case of businesses making their incomes from a whole series of premises of different kinds, scattered over different Local Government areas ; such as a city warehouse ; various kinds of factories for different components ; stabling, wharfs, and offices in different places ; possibly also farms or grazing fields, and drying grounds. How would it be possible, for each of the many Local Authorities concerned, to decide how much of the aggregate income of the business, which could only be regarded as a whole, was to be deemed to be assessable at each point ? It seems as if the only possible way of dividing the income of such a complex case would be according to the extent and value of the premises employed in each place—which brings us back to the present basis of rateable value !

A Share in the National Income Tax.

In order to avoid these difficulties it is sometimes proposed that the assessment of Income Tax by the Inland Revenue Department for the whole nation should be adopted for local purposes ; and an additional penny, or two pence, should be added to the National Income Tax for the time being, the extra sum thus realised by the Inland Revenue being handed over to the Local Authorities in aid of their own finances. Each penny in the pound of Income Tax now yields, net, about four million pounds, which may be, approximately, equal to about a fivepenny rate. If a Local Authority could receive each year from the Inland Revenue the equivalent of a tenpenny rate, what a boon it would be to Councillors harassed by an impending rise in rates !

But this would not be a " Local Income Tax." It would not mean that each locality was getting the proceeds of the assessment of the incomes of its own wealthy residents. It would mean only

that the National Income Tax, as we know it, had been increased by twopence in the pound ; and that the aggregate Grants in Aid to all the Local Authorities together were to be increased by eight million pounds. Thus, we come back to the present system of relying on Local Rates and relieving them by Grants in Aid.

How it Could be Distributed.

We should then have to face the problem of how to distribute among all the thousands of Local Authorities, rich and poor, apathetic and energetic, thrifty and extravagant, the additional Grant in Aid. If this were done on any common basis, such as proportionately to rateable value, or to population, or to superficial area, the result could only be the production of a new set of inequalities between the "cities of the rich" and the "cities of the poor," which would leave the problem essentially unsolved.

Moreover, it cannot be ignored that any such distribution, besides creating new inequalities, would bring the largest reduction in rates to the most apathetic or to the most stingy Local Authority, and the least reduction to the enterprising, energetic, and large-minded Local Authority that aimed at maintaining all the local services in a high state of efficiency. This would not make for Municipal Progress !

How to Help Local Authorities.

It is clear that what we want to do is to secure most relief to the rates in (a) those districts in which the necessary expenditure on local services is greatest in proportion to rateable value ; and (b) those districts which are actually providing most service of any desirable kind. A Local Authority which has a full supply of schools, a well-qualified and properly paid staff of teachers, an efficient public library, all the parks and open spaces that its inhabitants require, the best possible provision for Maternity and Infancy, and enough hospitals and convalescent homes for the sick, ought to receive much larger Grants in Aid than a Local Authority which neglects or starves all these valuable but costly public services. No system of Local Income Tax, or mechanical apportionment of an addition to the National Income Tax, makes this wise discrimination.

The Grant in Aid.

And so we come back to the plan of Grants in Aid calculated (a) proportionately to the actual expenditure of the several Local Authorities on all the various public services that it is considered

desirable to encourage ; and at the same time (b) specially graduated so as to aid most those Local Authorities in which the rateable value per head of population is exceptionally low.

There is no advantage, but, on the contrary, great disadvantage, in making the aggregate Grant in Aid dependent on any particular source of revenue (such as the Spirit Duties or the Income Tax). The total Grant to Local Authorities ought to vary only with their needs, not according to the year's receipts from some particular tax. Hence the plea of local reformers should be, not for any share of the Income Tax, but simply for an Increase in the Grants in Aid and a proper reform of the System.

Bibliography.

Fabian Books : "*Fabianism and the Fiscal Question*," Edited by BERNARD SHAW, 1s. "*How to Pay for the War*." Edited by SIDNEY WEBB, 6s.

Fabian Tracts : No. 121 "*Public Service versus Private Expenditure*," by SIR OLIVER LODGE, 2d. No. 152 "*Our Taxes as they are and as they ought to be*," by ROBERT JONES, 2d. No. 172 "*What about the Rates?*" by SIDNEY WEBB, 2d. No. 188 "*National Finance and a Levy on Capital*," by SIDNEY WEBB, 2d.

ARMITAGE-SMITH, G. "*Principles and Methods of Taxation*," 1905. Murray, 5s.

BASTABLE, C. F. "*Public Finance*," 3rd edition, 1895. Macmillan, 16s.

BLUNDEN, G. H. "*Local Taxation and Finance*," 1895. Allen, 2s. 6d.

BOYLE, E., and G. HUMPHREYS DAVIS. "*Principles of Rating*," 1906. Butterworth, o.p.

CANNAN, E. "*History of Local Rates in England*." New edition, 1912. King, 4s.

CLARKE, J. J. "*Outlines of Local Government*," 1914. Pitman, 1s.

DOWELL, STEPHEN. "*History of Taxation and Taxes in England*." 4 vols., 1892. o.p.

EDGEWORTH, F. Y. "*A Levy on Capital for the Discharge of Debt*." 1919. Clarendon Press, 1s.

FOXWELL, H. S. "*Papers on Current Finance*," 1919. Macmillan, 10s.

GIFFEN, SIR R. "*Economic Enquiries and Studies*," 2 vols., 1904. Bell, 25s.

GRAHAM, J. C. "*Taxation and Local Government*." 4th edition, 1906. King, 2s.

- GRICE, J. W. "*National and Local Finance.*" 1910. King, 12s.
- HENRY, ROBERT. "*Who Pays? An Enquiry into the real Incidence of Taxation.*" 1912. Allen, 2s. 6d. and 1s. 6d.
- HIGGS, HENRY. "*The Financial System of the United Kingdom.*" 1914. Macmillan, 6s.
- HIGGS, HENRY. "*National Economy, an Outline of Public Administration,*" 1917. Macmillan, 3s. 6d.
- HIGGS, HENRY. "*A Primer of National Finance,*" 1919. Methuen, 5s.
- HOBSON, J. A. "*Taxation in the New State,*" 1919. Methuen, 6s.
- JONES, ROBERT. "*The Nature and First Principles of Taxation,*" 1914. King, 7s. 6d.
- KONSTAM, E. M. "*Rates and Taxes,*" 1906. Butterworth, 6s.
- LAWRENCE, F. W. PETHICK. "*A Levy on Capital,*" 1918. Allen, 2s. 6d. and 1s. 6d.
- MACBETH, A. D. "*The Rationale of Rates,*" 1912. Hogge (Edinburgh), 2s. 6d.
- MALLET, SIR BERNARD. "*British Budgets, 1887-8 to 1912-13,*" 1919. Macmillan, 12s.
- PLEHN, C. C. "*Introduction to Public Finance,*" 1909. Macmillan, 10s.
- RAFFETY, F. W., and W. H. C. SHARP. "*The Nation's Income,*" 1909. Murby, 2s.
- ROW-FOGO, J. R. "*Local Taxation in England,*" 1902. Macmillan, 6s.
- SELIGMAN, E. R. A. "*Essays in Taxation,*" 1896. Macmillan, 21s.
- SELIGMAN, E. R. A. "*The Income Tax,*" 1911. Macmillan, 16s.
- SNOWDEN, P. "*The Socialist Budget,*" (Labor Ideal Series), 1907, 1s.
- SNOWDEN, P. "*Finance and the Labour Party,*" 1920. Parsons, 4s. 6d.
- TAUSSIG, F. W. "*Tariff History of the United States,*" (1789-1888). Revised edition, 1919. Putnam, 9s.
- TURNER, HARTLEY (Editor). "*The repayment of Loans of Public Authorities,*" 1913. Sherratt and Hughes, 25s.
- TURNER, S. H. "*The History of Local Taxation in Scotland,*" 1908. Blackwood, 5s.
- WEBB, SIDNEY. "*Grants in Aid: a Criticism and a Proposal,*" 1911. Longmans, 5s.
- WILLIAMS, W. M. J. "*The King's Revenue,*" 1909. King, 7s. 6d.
- See also Report of the Machinery of Government Committee. Cd. 9230. 1918. 3d.
- Reports and Evidence of the Royal Commission on the Income Tax. 1919-20.

Some of the Publications of the Fabian Society and the Labour Research Department.

(Complete list of nearly a hundred on application).

The History of the Fabian Society. (1916) By EDW. R. PEASE. 300 pp., with portraits. 6s. net.

The Wages of Men and Women: Should they be Equal? By Mrs. SIDNEY WEBB. 1s.

A Public Medical Service. By DAVID MCKAIL, M.D., D.Ph., and WILLIAM JONES. 1s.

The Reorganisation of Local Government. By Capt. C. M. LLOYD. 1s.

Fabianism and the Fiscal Question. By BERNARD SHAW. 1s. net.

How to Pay for the War. Being ideas presented to the Chancellor of the Exchequer by the Fabian Research Department. Edited by SIDNEY WEBB. (June, 1916) 6s. net.

International Government, being two Reports by L. S. WOOLF and a Project by a Fabian Committee for a Supernational Authority that will prevent war. (July, 1916) 10s. net.

Trade Unionism in Germany. By W. STEPHEN SANDERS. With Preface by SIDNEY WEBB. (1916) 7d. net.

Fabian Essays in Socialism. This is the celebrated collection of eight essays by G. BERNARD SHAW, SIDNEY WEBB, SIR SYDNEY OLIVIER, GRAHAM WALLAS, HUBERT BLAND, WILLIAM CLARKE and ANNIE BESANT, of which over 50,000 copies have been sold, besides numerous foreign editions. 2s. Cloth, 4s.

This Misery of Boots. By H. G. WELLS. A model propagandist tract. 3d.

Facts for Socialists (revised 1915). A collection of authoritative statistics. 137th thousand. 2d.

Public Service v. Private Expenditure. By Sir OLIVER LODGE, F.R.S. 1d.

State and Municipal Enterprise. (1915). 1s. net.

Introduction to Trade Unionism. By G. D. H. COLE. (Nov., 1918). 5s.

The Commonsense of Municipal Trading. By G. BERNARD SHAW. Cloth 1s.

The Payment of Wages. By D. G. H. COLE. (Nov., 1918). 6s.

Family Life on a Pound a Week. By Mrs. PEMBER REEVES. 2d.

National Finance and a Levy on Capital. By SIDNEY WEBB. 2d.

What to Read on Social and Economic Subjects. 5th edition. 1s. net.

Socialism and the Arts of Use. By A. CLUTTON BROCK. 1d.

Women Workers in Seven Professions. Edited by Professor EDITH MORLEY. 7s. 6d. net.

The Rural Problem. By H. D. HARBEN. 2s. 6d. net.

The celebrated Fabian Tracts (1d., 2d. and 3d. each). Nearly 100 still in print. Set, bound in buckram, 7s. 6d. net, 8s. 3d. post free.

THE FABIAN BOOKSHOP, 25, Tothill Street, Westminster, S.W.1.

FABIAN PUBLICATIONS.

- HISTORY OF THE FABIAN SOCIETY. By E. R. PEASE. 6s. n.
FABIAN ESSAYS (1920 Edition). 2s. ; postage, 3d.
THE SICKNESS OF AN ACQUISITIVE SOCIETY. By R. H. TAWNEY. 1s. n.
post, 2d.
TOWARDS SOCIAL DEMOCRACY? By SIDNEY WEBB. 1s. n., post, 1d.
WHAT TO READ on Social and Economic Subjects. 1s. n.
THE RURAL PROBLEM. By H. D. HARBEN. 2s. 6s. n.
THE MISERY OF BOOTS. By H. G. WELLS. 3d., post free, 4d.
FABIAN TRACTS AND LEAFLETS.
Tracts, each 16 to 52 pp., price 1d., or 9d. per doz., unless otherwise stated.
Leaflets, 4 pp. each, price 1d. for 3 copies, 2s. per 100, or 20s. per 1000.
The Set of 74, 4/6; post free, 5/3. Bound in buckram, 7/6; post free, 8/3.

I.—General Socialism in its various aspects.

- TRACTS.—192. Guild Socialism. By G. D. H. COLE, M.A. 180. The Philosophy of Socialism. By A. CLUTTON BROCK. 169. The Socialist Movement in Germany By W. STEPHEN SANDERS. 2d. 159. The Necessary Basis of Society By SIDNEY WEBB. 151. The Point of Honour. By RUTH C. BENTINCK 147. Capital and Compensation. By E. R. PEASE. 146. Socialism and Superior Brains. By BERNARD SHAW. 2d. 142. Rent and Value. 138. Municipal Trading 121. Public Service v. Private Expenditure. By Sir OLIVER LODGE. 107. Socialism for Millionaires. By BERNARD SHAW. 139. Socialism and the Churches. By Rev. JOHN CLIFFORD, D.D. 133. Socialism and Christianity. By Rev. PERCY DEARMER 2d. 78. Socialism and the Teaching of Christ. By Dr. J. CLIFFORD. 42. Christian Socialism. By Rev. S. D. HEADLAM. 79. A Word of Remembrance and Caution to the Rich. By JOHN WOOLMAN. 72. The Moral Aspects of Socialism. By SIDNEY BALL. 69. Difficulties of Individualism. By S. WEBB. 51. Socialism: True and False. By S. WEBB. 45. The Impossibilities of Anarchism. By G. B. SHAW. 2d. 7. Capital and Land. 5. Facts for Socialism. 2d. LEAFLETS.—13. What Socialism Is. 1. Why are the Many Poor?

II.—Applications of Socialism to Particular Problems.

- TRACTS.—188. National Finance and a Levy on Capital. By SIDNEY WEBB. 2d. 187. The Teacher in Politics. By SIDNEY WEBB. 2d. 186. Central Africa and the League of Nations. By R. C. HAWKIN. 2d. 183. The Reform of the House of Lords. By SIDNEY WEBB. 181. When Peace Comes—the Way of Industrial Reconstruction. By SIDNEY WEBB. 2d. 178. The War; Women; and Unemployment. 2d. 177. Socialism and the Arts of Use. By A. CLUTTON BROCK. 175. The Economic Foundations of the Women's Movement. 2d. 173. Public v. Private Electricity Supply. 170. Profit-Sharing and Co-Partnership: A Fraud and Failure. 164. Gold and State Banking. 162. Family Life on a Pound a Week. By Mrs REEVES. 2d. 161. Afforestation and Unemployment. 157. The Working Life of Women. 155. The Case against the Referendum. 154. The Case for School Clinics 152. Our Taxes as they are and as they ought to be. 2d. 146. The Endowment of Motherhood. 2d. 145. The Case for School Nurseries. 140. Child Labour under Capitalism. 136. The Village and the Landlord. By EDW. CARPENTER. 144. Machinery: its Masters and Servants. 122. Municipal Milk and Public Health 125. Municipalization by Provinces. 124. State Control of Trusts. LEAFLET.—104. How Trade Unions benefit Workmen.

III. Local Government Powers: How to use them.

- TRACTS.—Metropolitan Borough Councils. Their Constitution, Powers and Duties By C. R. ATTLEE, M.A. 2d. 191. Borough Councils: Their Constitution, Powers and Duties. By C. R. ATTLEE, M.A. 2d. 193. Housing. By C. M. LLOYD, M.A. 3d. 189. Urban District Councils. By C. M. LLOYD. 2d. 172. What about the Rates? By S. WEBB. 62. Parish and District Councils (Revised 1919). 137. Parish Councils and Village Life. 109. Cottage Plans and Common Sense LEAFLETS.—134. Small Holdings. 68. The Tenant's Sanitary Catechism. 71. Ditto for London.

IV.—General Politics and Fabian Policy.

- TRACTS.—158. The Case against the C.O.S. By Mrs. TOWNSHEND. 41. The Fabian Society: Its Early History. By BERNARD SHAW.

V.—Biographical Series. In portrait covers, 2d. and 3d.

182. Robert Owen, Idealist. By C. E. M. JOAD. 179. John Ruskin and Social Ethics. By Prof. EDITH MORLEY. 165. Francis Place. By St. JOHN G. IRVINE 166. Robert Owen, Social Reformer. By Miss B. L. HUTCHINS. 167. William Morris and the Communist Ideal. By Mrs. TOWNSHEND. 168. John Stuart Mill By JULIUS WEST. 174. Charles Kingsley and Christian Socialism. By C. E. VULLIAMY.