

EDUCATIONAL SERIES

THE BRITISH BUDGET

The following interesting article is taken from an editorial printed in the Galveston (Texas) Daily News:

That England needs a larger revenue than it now has is admitted by liberal and conservative alike. The need comes mainly from the increasing burden of pauperism and from the policy of enlarging the navy. The question of this policy was made an issue last summer. The decision was something of a compromise. More Dreadnoughts were ordered—not so many as the conservatives demanded, but more than the liberals thought were needed to maintain the empire's naval supremacy. It was this decision which made the need of greater revenue so clear and imperative that all men of both parties recognized it.

The present issue is a question of how it shall be raised. The conservatives, recanting somewhat those doctrines of political economy that they have, for the most part, adhered to for half a century, and getting inspiration from Mr. Chamberlain, proposed a restoration of tariff duties. The liberals, nominally under the leadership of the premier, Mr. Asquith, but actually under that of Mr. Lloyd-George, chancellor of the exchequer, protested against this policy as one that would tax the necessities of men, a policy that would tax expenditures. They proposed to tax wealth, particularly excessive wealth. The scheme they have devised is in the budget.

This scheme, contrary to what seems to be the popular notion, is not remarkable as a discovery of new sources of revenue. As a matter of fact, it imposes only one new form of taxation; and while most of the objection has been aimed at that one new form, it is not that which has engendered all the opposition. Much of it arises from the fact that old taxes are increased. The taxes that are increased are those bearing on the liquor traffic, motor car licenses, on "unearned" incomes, and on "earned" incomes exceeding \$15,000, and on estates of deceased persons, which last named tax is equivalent to our inheritance tax. The features of this budget that may be called original are, first, a supertax of about 12c on every \$5 of incomes of \$25,000 or over, the supertax to apply, however, only to the amount in excess of \$15,000; and, second, the increment taxes, applying to land.

It is this increment tax that has excited the bitterest opposition, as might have been expected, since it was not only devised, but has been very ingeniously designed to lay the hand of taxation in a discriminating way on the feudal holdings of the nobility, who, for the most part, spin not, weave not, nor draw water, nor hew wood, but who, if one must say it, are mostly drones.

It would tax the patience of the ordinary reader to explain this increment tax in full detail. It will suffice for a fair understanding of it to say that when a piece of property is sold, or leased for a term of more than fourteen years, the price at which it is sold or the valuation at which it is leased is compared with the valuation at which the property was last taxed, and the difference is the increment. Of this increment it is proposed that the government shall take 20 per cent. Numerous exceptions are made, always for the purpose of restricting the tax to large property holders. There is no increment tax on agricultural land that has no greater value than its value for agricultural purposes. When the holding is not more than fifty acres and the value not more than \$375 an acre, there is no increment tax, nor is the tax to be levied where the increment results from expenditures for improvements. If a home site is in London and its rental value is not more than \$200 a year, it is exempt from this tax; in other cities above 50,000 population a home site is exempt if its rental value does not exceed \$150 a year, and in all other cities a home site is exempt from this increment tax if its rental value does not exceed \$90 a year. There are a number of other exceptions, but these are the salient ones.

This tax scheme is a frank effort to place a greater part of the burden of government on the shoulders of accumulated wealth, while the increment tax is an equally frank effort to take on behalf of society a part of those values which are created by society as a whole. For when, during the course of a year, ten years, or any interval, the value of land increases without hav-

ing undergone any improvement, it is the industry of society, and society's greater need of land, that cause that enhancement. Heretofore contributing nothing, or at best but a small fraction toward the enhancement of value, the owners of the land have gathered the whole of the profit, and that, not by selling, and thus loosening the aristocracy's land monopoly, but by leasing it at a higher rental. It would be hard to combat this principle, as an abstract proposition, and it would seem that in England, where the inequalities of fortune are so great and the opportunities of the natural man so restricted, only purblind privilege could have the temerity to question the justice of it.

Now by rejecting it and thus violating long established custom if not the letter of the constitution, the lords have left it to the people to decide whether these new taxes shall be levied. Since they are levied on the few for the benefit of the many, there would seem to be no room to doubt that they will be sanctioned at the polls; and yet it is scarcely less incomprehensible that the lords should brave the admitted perils of this court unless they thought there was at least a prospect of victory at the polls. Certainly it must be regarded as the course of desperation, and we may expect to witness all the coercion that wealth and social prestige can exert to deter voters from giving voice to their sentiments and desires.

BALFOUR DISCOMFITED

Asquith evidently scored a great hit while Balfour was greatly discomfited during debate in the house of commons on the budget. The following is taken from a London cablegram:

Mr. Balfour, leader of the opposition, evidently was suffering from the effects of his indisposition, and did not speak at his best. His speech lacked the ring of sincerity and conviction which characterized the prime minister's.

The latter had an easy task in pouring ridicule upon what he described, amid the rousing and encouraging cheers of his supporters, as "a new-fangled Caesarian," this "arrogant usurpation" of the house of lords.

The premier's ironical reference to the "instinct of divination" of the peers on reaching manhood dissolved his hearers in laughter. He quoted with trenchant effect the speech of Mr. Balfour less than a year ago, in which the ex-premier described himself as a "house of commons man," and said:

"It is the house of commons, not the house of lords, which settles and controls our financial system. If the house of lords could touch the money bills, the executive machinery of the country would be brought to a standstill."

The amusement which the house showed at these quotations from Balfour against himself was only equaled by the chagrin depicted on the faces of Mr. Balfour's followers. Altogether, Mr. Asquith surpassed himself, and his elated followers declare that he never made a finer or more effective speech.

THE PRESIDENT'S MESSAGE

President Taft's first annual message was, one of the tamest documents ever delivered by the chief executive to the American congress. The president recommends a law "requiring that candidates in elections of members of the house of representatives and committees in charge of their candidacy and campaign, file in a proper office of the United States government a statement of the contributions received and of the expenditures incurred in the campaign for such elections, and that similar legislation be enacted in respect to all other elections which are constitutionally within the control of congress."

The important point in such legislation is that the facts be made public prior to election day in order that the people may understand the character of the political party's backing. The important point in this portion of President Taft's message is that he did not suggest this essential feature. Mr. Taft admits "the advancing prices of living" and by his pleas for economy confesses the extraordinary extravagance of the administration of public affairs by his political party. In his reference to the tariff question he emphasizes the idea that threatened tariff revision "halts business and interferes with the course of prosperity." And it must be plain that no honest tariff revisionist among the people can find a note of comfort in the

president's references to this important subject. The people are told that the important questions now before the public will be treated in special messages. But it ought to be clear to every intelligent person that from the tone of the president's annual message these special messages will not suggest reforms that will be unacceptable to the representatives of special interests. The president says that the Sherman anti-trust law needs amendment. He is mistaken, that law needs enforcement—vigorous, relentless enforcement of its criminal clause so that the proud violators of a time dishonored statute may be made to know that under the American government the law is no respecter of persons, and the officers of the law are the defenders of the public welfare rather than the champions of the special interests. The president lays great emphasis upon the postoffice deficit and the claim that it is brought about by the low rate of postage on second-class mail matter. He says nothing about the exorbitant prices paid to the railroads for carrying the mail and the padding of the mails in the interests of the railroads during the period (supposed to be known only to government officials) during which the mails are weighed. Mr. Taft is to be congratulated in that he does not use a mask in dealing with ship subsidy. He calls it "ship subsidy" and boldly declares in favor of it.

"The proportionate increase" says the president "in the output of gold which today is the chief medium of exchange and is in some respects a measure of value, furnishes a substantial explanation of at least part of the increase in prices." Then after all the democrats were right when they insisted upon the quantitative theory of money.

"The increase in population," says the president, "and the more expensive mode of living of the people which have not been accompanied by a proportionate increase in acreage production may furnish a further reason." But what about the trusts organized and imposing upon the people in the face of a criminal clause that is ignored by republican officials? And what about the republican tariff enacted in the interests of great manufacturing concerns that provided the republican party with its campaign funds?

The people are not quite so simple, Mr. Taft, as republican leaders think they are.

The president's message excites little comment for two reasons: First, because he reserves for special messages several important subjects, namely the trusts, inter-state commerce, conservation of national resources and finance, and, second, because his recommendations on other subjects had been previously announced in the press dispatches.

He is to be commended for reducing the estimates for the army and navy, although he does so under stress of necessity to save a deficit. His recommendations as to the reformation of the criminal law are good, and his proposed limitation of the writ of injunction is also good as far as it goes.

He urges the postal savings bank to prevent the establishment of guaranteed banks. It would be better to urge the guaranteed bank in order that government savings banks might not be necessary. It is to be hoped that the bankers will at last see that they must accept one or the other and the guaranteed bank is the better systems of the two.

He errs in recommending the ship subsidy and errs again in recommending civil pensions.

He errs also in trying to postpone further discussion of the tariff question. The people do not need investigation; they need relief. The average citizen does not require the report of a committee of experts to convince him that the Aldrich law was made for the tariff barons and not for the consumers.

The progressive republicans will not see any symptoms of reform in the message but it will please those who, having their hands in other peoples' pockets, do not want to be disturbed.

BRAVE TALK

The Philadelphia North American (rep.) says that if President Taft does not take his stand against Aldrich and Cannon "he will be a failure as a president;" also "if he does not do so he will wreck his reputation. If he does not do it he will split the republican party."

This is all very brave talk but the Philadelphia North American has printed similar editorials before—between election days—and in the end has been found battling for the ticket supported by the system. The Philadelphia North American—so far as its political efforts are concerned—is "fearfully and wonderfully made."