

LOCAL TAXATION IN LONDON

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Local Taxation in London by M. E. Lange

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BY
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WITH A PREFACE

BY
LORD WELBY



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P R E F A C E .

MR. LANGE does good service in calling attention to the rating reforms which the cause of good government in London urgently demands. He justly draws the important distinction between a rich city and a city in which there are many rich citizens. Nothing has done greater injury to the cause of good and efficient government than the confusion of these two definitions, whether in relation to the financial administration of the State in general or of London in particular. Mr. Booth and Mr. Rowntree have shown that poverty is so prevalent, that the percentage of the population unable to adequately house, feed and clothe themselves and their families is so great, that the United Kingdom may not inaccurately be described as a poor country. The governing classes themselves in affluence, and misled by the assertions so often made in Parliament and in the press as to the wealth of the country, regard lightly the burthen of taxes and rates. Increase of taxation affects little their affluence. They would not consume a loaf, a pound of tea or a pound of sugar the less, if a protective duty were placed upon corn, or if the taxes on articles of consumption were raised. They are unable, or they refuse to realise the effect of increased food taxation on the scanty budgets of the poor; how an addition of £2, £3, or £4 to the bare cost of living cripples men who have to support their families on incomes of £50, £60, or £70 a year. This indifference is shown in the highest quarters. Conservative Chancellors of the Exchequer, parties to an enormous and wasteful public expenditure, argue that

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it must be met by "widening the basis of taxation," a mischievous euphemism invented to veil the true meaning of the proposal—viz., that the taxes on the food of the people must be increased. They plead at the same time that the income tax ought to be reduced. Is not this purely and simply a policy of relieving the more or less affluent classes, affluent, at least, as compared with the working and poorer classes, at the cost of those poorer classes? The working classes themselves do not pay directly, or only to a very small extent directly, taxes and rates. When taxation or rates are increased, and a rise in the price of food or in rents follows, they only know that the cost of living and rent has risen. The manner in which indirect taxation by Customs or Excise duties, and in which rates are collected, makes it impossible for them to understand that the rise in the cost of living is due to State or local extravagance. On the other hand, they are under the mistaken idea that large public expenditure means more employment, and it is concealed from them that they are paying out of their own scanty purses for this extra employment. The short-sighted policy, therefore, of the governing classes and the ignorance of the working classes combine to prevent a wise economy in financial administration and an equitable adjustment of taxation, whether State or local.

All honour, then, to those who, like Mr. Lange, devote time and ability to explaining the anomalies of our local taxation, the chaos in the relations between the State and local authorities, and the urgent need of reform in these relations. The shortcomings of the late Government appear in every branch of administration. For twenty years, with a short interval of three years, they have enjoyed power and been supported by unprecedented majorities in the House of Commons and by a House of Lords which met simply to register their decrees. In the meantime the population of our great cities was yearly

growing, and social questions affecting the great mass of our people assumed year by year greater gravity and demanded closer attention. But year after year no solution of these problems was attempted. Undue importance was given to questions arising in any part of the globe except home. Those only which concerned the welfare and comfort of the forty-two millions of inhabitants of these islands were neglected. On no point was their neglect of home more reprehensible than on that of local taxation. The latter third of the nineteenth century was marked by a great increase of affluence among the higher classes and by improvement in the condition of the lower classes, though in the latter instance the improvement was very insufficient. Still, the nation as a whole was in easier circumstances. The necessity for public thrift diminished and the desire for economical government relaxed. A tendency to extravagance, both public and private, became more marked towards the close of the century, and as an inevitable consequence the expenditure of the State and of local bodies increased. As the rates grew, local bodies demanded larger subsidies from the Exchequer, and their power in Parliament compelled attention. Lord Salisbury's Government tried to solve the difficulty by granting to the local authorities certain taxes, or imaginary percentages of taxes in substitution for direct grants from the Exchequer for specified local services. There was a certain amount of reason for the change, but the principles which were to determine the distribution of the appropriated revenues were imperfectly thought out, and being based in a great measure on existing conditions, made no provision for changes in the relative importance of localities which it might have been foreseen were inevitable. The taxes thus allocated to local authorities at first exceeded the amounts previously granted out of the Exchequer, and this gain no doubt predisposed the local authorities in favour of the change. But it was so far NOT an

inducement to economy, and the growing demands of ordinary municipal administration, the ever-increasing cost of education and sanitation, and perhaps in some degree the desire of municipalities to extend the sphere of administration, led before long to such an excess of expenditure as absorbed, and much more than absorbed, the temporary gain which attended the change at its outset. Discontent was the inevitable consequence. The failure of the new system attracted attention to the many complications and anomalies of local taxation law, and complaint became so general that at last even the Government of Lord Salisbury and Mr. Chamberlain, so lethargic in home administration, was obliged to take action. In 1896 a Royal Commission was appointed under Lord Balfour of Burleigh to report generally on Local Taxation. The Commission devoted five years to patient and close inquiries into the question submitted to them, and in 1901 they issued majority and minority reports which covered, it may fairly be said, the whole field of inquiry. Information was now complete, and it only remained for the Statesmen of "the most powerful Government of modern days" to devise a sound scheme of local taxation and use their overwhelming majority to pass it into law. The prospect, it is true, was not encouraging. More money was needed, probably a considerable sum, but it was needed to meet the wants of the forty-two millions who live at home, a matter of less moment with the Government than special interests and the more showy policy of aggrandisement abroad. Thus, to the disgrace, it must be said, of the Conservative ministry, this question of such vital importance to good government has been shelved for five years, and if the Tories were restored to office it would probably remain on the shelf for another five years or more, for there is no indication of their having studied or of their understanding the complicated problem involved. They have certainly shown no desire to

understand it. On the contrary, they have added to the difficulties of the problem by doles to privileged classes of their supporters, which have only served to increase the anomalies already so just a cause of complaint. All our great industrial centres have suffered by this apathy of the Government in domestic policy not less than by its action in sectarian legislation and "privilege" doles, but no city has suffered so much as the greatest and most important of all—the metropolis.

The new Government ought at the earliest moment to take up the question of local taxation. It ought to set clearly before the country a scheme which will equitably and intelligibly divide the cost of local government between the Imperial Exchequer and the local ratepayer, with due safeguards for ensuring, as far as possible, reasonably economical administration by the local authorities; because it is without doubt an inducement to extravagance if local authorities are encouraged to believe that the more they spend the greater will be their claims on the Imperial Exchequer. The country should further be informed of the additional cost to the Imperial Exchequer which the scheme involves. Parliament will then be in a position to decide whether the benefits promised are such as to justify the burthen, and the country can then decide whether, if the charge on the Imperial Exchequer should be considerable, it must be met by increase of income tax and of duties on articles of consumption, or by legitimate reduction of the enormous expenditure on armaments into which the Tory Government has plunged the country.

But in order that the country may arrive at a wise decision, it is above all things necessary that it should receive instruction from those who have studied the subject of local taxation, its incidence, and the anomalies of the existing system. For this purpose London affords the greatest and most important object lesson, and Mr. Lange's able pamphlet offers