

## TAXATION IN BRITAIN SINCE 1660

by Roy Douglas (New York: St. Martin's Press, 1999; ISBN 0-312-22217-3, 174 pages)

Book Review by Bill Batt, Albany, NY

Now published is the fourteenth book by British historian (and Georgist) Roy Douglas, and his first to focus exclusively on over three hundred years of taxation in that country. One earlier book, *Land, People, and Politics: A History of the Land Question in the United Kingdom, 1878-1952*, published in 1976, touched on many of the same issues, but clearly a more extensive treatment of the subject was called for, and it has arrived.

The book begins with the end of feudalism and the arrival of Charles II. What was called the "land tax" was instituted, based on both land and improvements, as well as natural resources which the owner claimed ownership to. Along with import duties and taxes on other staple goods, the "land tax" so-called, became a permanent fixture of government revenues until the mid-twentieth century, the main initial purpose of which was to finance foreign wars and commercial ventures abroad.

As early as 1798, however, under the leadership of William Pitt, the elder, the government found it necessary to institute a new kind of tax, the income tax. Although debates would continue over the following century concerning the merits of "direct" versus "indirect" taxation, as well as other ideas familiar throughout the world, already in 1776 Adam Smith's *Wealth of Nations*, set forth in four measures the criteria of what were the principles of a sound tax. These were equity, certainty, administrable, and efficient. Variations on these maxims have been the foundation of tax theory ever since.

Douglas notes that the discourse over tax policy was largely a parliamentary matter, however, restricted to raising revenue for national purposes. Yet there were also taxes, known rather as tithes, administered at the local level by and for the church. These tithes, traceable at least to the ninth century, were payable by landlords initially in kind and financed welfare support for the poor as well as local infrastructure maintenance.

An important transition occurred in the 1880s when for the first time taxation was recognized not only as the source of revenue but as a vehicle of facilitating social change. This came to be known as "constructive taxation," and was first employed to discourage alcohol consumption and even to influence the economy. At the same time Henry George's *Progress and Poverty* arrived on British shores to advance the discussion of tax policy immeasurably. Douglas notes the view of American historian Elwood Lawrence that

"George was the most widely discussed man in England after Gladstone himself in the early 1880s." By 1896 the idea of "site value rating" was formally proposed, and petitions were circulated and sent to the new government in 1906.

At the beginning of the 20th century the primary tax debate in Britain was between the Georgists and the "fair traders," the latter being advocates of protective tariffs. It was the Liberal Party, particularly with the advocacy of David Lloyd George who would begin long service as Chancellor of the Exchequer. Land value taxation was regarded as the central social reform of the Liberal government during this time, and Lloyd George proposed in 1909 that £0.5 million, as a start, would come from this source. But to implement land value taxation, sites would have to be assessed, and there was sufficient resistance from the landowners to stop this authorization. With the onset of the Great War, the opportunity was lost.

Lord Phillip Snowden championed a second attempt to adopt land value taxation in the mid-late 1920s, notably allied with Winston Churchill. But the effort failed again in 1929. As Douglas notes. Snowden faced a problem similar in some ways to that which had confronted Lloyd George in 1909. The natural preliminary to a tax on land values was a general valuation of land; but a bill to value land would not rank as a "Money Bill" and could therefore be rejected by the Lords. Snowden sought to overcome that difficulty by including valuation proposals in his budget, in which they were linked with proposals to impose a small tax on land values in two years' time.

Although the bill passed, the coalition "National Government," which took power to meet the challenges of the Great Depression, had other priorities, and the dominant Conservatives certainly had no interest in seeing such a measure implemented. In his 1932 Budget, Neville Chamberlain suspended the land value tax which Snowden had worked so hard to implement and which would have taken effect in 1933-34. After the second world war, the eclipse of the Liberal Party by the dominant Labour and Tories doomed any further discussion of land value taxation; the archaic "land tax" that had existed since Pitt was eliminated once and for all.<sup>1</sup>

And yet, Douglas ends his chronicle on an optimistic note. Throughout all the years of Thatcherism and the preoccupation with other issues, interest in land value taxation continued. He notes that in the early twentieth century there was immense public enthusiasm for the taxation of land values, and there is every reason for thinking that this demand would have taken effect if war had not intervened and changed everything beyond recognition. Thus a widespread belief that a tax is just, or that it is unjust, really does have an effect on whether or not it takes root. It would be unhistoric to regard issues of taxation as no more than a power struggle between interest groups, or between statesmen avid to make political points against each other. Real issues of principle continue to arise, even in matters of taxation.