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Local Taxation

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## LOCAL TAXATION.

*Final Report of the Departmental Committee on Local Taxation, England and Wales.* (Cd. 7315.) 1914. Pp. vi+120. Price 1s. *Appendix to the above Report.* [Cd. 7316.] 1914. Pp. iv+381. Price 3s. 1d.

IN noticing the earlier publications of this Committee in the JOURNAL of December, 1912, I commented on the propagandist nature of the evidence submitted to it, and suggested that no great contribution to knowledge was likely to result. My expectation has been quite fulfilled, but of course this is no condemnation of the labours of the Committee, which was appointed, like most Departmental Committees, to clear the way immediately in front of the legislature, rather than to suggest in what direction it should ultimately progress. The only far-reaching conclusion at which it has arrived is the negative one that the rating of land values, or exemption of buildings and some other "improvements" from rating, should not be adopted. This conclusion, too, is not really of much importance, inasmuch as it was arrived at by the narrowest possible majority, and thus probably means that not more than one or two of the Committee changed their opinion in the course of their investigation. The most drastic and important proposal of the Committee very properly relates to elementary education. "In the statistics for 1911-12 the rateable value per child ranges from £13 to £106, and the expenditure per child from about 52s. to 150s., and the variation in the proportion of elementary school children to population is equally remarkable. Moreover, in many cases the effect of these variations is cumulative. The school population is highest in proportion both to rateable value and to total population in the urban centres, particularly in the so-called dormitories of the great towns, where valuable rateable property is for the most part absent, and it is in these districts that, owing to the paucity of voluntary schools, the high cost of living and materials, and other causes, the cost of education is usually greatest. As a result, the education rate in some areas is less than 6d., while in others more than 2s. is required, in spite of the large additional subsidies received by certain necessitous areas." In order to remedy this state of affairs, which seems to have nothing to recommend it, the Committee propose to sweep away the present muddle of grants to schools, and substitute a grant to each education authority, based on the principle of giving the authority first the difference between the produce of a 7d. rate

and 60s. per child, and second, two-fifths of such part of the expenditure as is over 60s. So, for example, if the cost per child were 80s., and a 7d. rate produced 21s. per child, the State would pay 39s. (the difference between the standard 60s. and 21s.), and in addition 8s. (two-fifths of the 20s. excess over 60s.), while the locality would pay the remaining 33s., requiring a total rate of 11d. A table is given showing the equalising effect of the plan in thirty places; it appears satisfactory, as far as it goes, but not to be strong enough. The education rate of Tottenham, for example, is only brought down from 28·2d. to 25·4d., and that of West Ham from 26·6d. to 25d. The Committee excuse this on the ground that such places are really parts of larger towns and ought to be amalgamated with them, which is true, but even apart from "dormitories," the impression given by the table is disappointing, and suggests that the factors should be altered in such a way as to make them act more powerfully.

It is proposed further that when the necessity for continuing a school with an average attendance of under 200 is proved, a grant of £50, less 5s. per child in average attendance, should be made to the education authority, so that if there were 80 children, the grant would be £30. This proposal is put forward rather with the view of easing the situation likely to be caused by the disappearance of the Agricultural Rates Act grant than for reasons connected with education.

In regard to higher education no change is proposed except that a sum equal to the "residue grant," familiarly known as the "whisky money," should be distributed in proportion to net expenditure on higher education, instead of, as now, in proportion to the pre-1888 grants for various purposes, of which "none had any connection with education."

Next to the education grants, the financial arrangements for pauper lunacy are the most indefensible part of the present system. The Committee propose that the State should make a grant for each lunatic in an asylum of one-half the average net cost in the whole of England and Wales, and also 3s. a week for each lunatic, imbecile, and epileptic otherwise properly taken care of by poor-law authorities. These authorities are also to have 60 per cent. of the cost to each of them of the salaries, etc., of officers, calculated from the three years before legislation.

The Government contribution for police is to be one-half the net expenditure of each authority, including expenditure on pensions, and this is to apply to the Metropolitan as well as other police. Nothing is said about the present limit on the rating

powers of the Metropolitan Police Commission. The City of London Police are to remain unsubsidised, and uninspected by the Home Office, as at present.

The proposal with regard to roads is that they should be divided by the Road Board into three classes, main, county, and district, and that grants should be given of 50 per cent. of the cost of maintenance of main, and 25 per cent. of the cost of county roads, but inside London and county boroughs the class of county roads would not exist, and the grant for main roads would not be half the actual cost of such roads, but only half the average cost of main roads in all the other urban areas of the adjacent county or counties.

All these proposals, with the exception of that relating to higher education, have the advantage of giving the central Government a financial interest in the expenditure of the local authorities, inasmuch as whenever it stimulates or forces local authorities to pay more, it will have to meet at least part of the bill, instead of being wholly unaffected, as it is under the Goschen scheme of 1888. This praise cannot, however, be given to the next and last of the principal proposals, which is to give a grant of 6*d.* per head of population to urban, and 9*d.* per head to rural districts.

The new grants involve the entire disappearance of the existing remains of the 1888 system of "assigned revenues," with all its complications of "Local Taxation Account" and "Exchequer Contribution Accounts," which have confused national and local administrators for more than a quarter of a century. The Agricultural Rates Act grant and its concomitant grant for clerical tithe-owners are included in the clean sweep. The differential rating established by the Agricultural Rates Act and the Tithe Rent-charge (Rates) Act, under which agricultural land and clerical tithe are assessed at fifty per cent. of their value, is not attacked, nor is the older exemption of 75 per cent. enjoyed by agricultural land in respect of urban general district rates. Even the minority, who present a separate report in favour of land-value rating, propose that land which is used for agriculture and has no higher value than its agricultural value should be exempted from site-value rates to the extent of 75 per cent., though this seems curiously inconsistent with the principle of their scheme, as it would mean quadrupling the charge on the land whenever a house or cottage was built on it, and to that extent, at any rate, "penalising improvement."

The Committee propose to entrust valuation to the staff working under the Finance Act (1909-10), with an appeal to a joint

local assessment committee, and from it to a special expert tribunal.

The immediate extra cost to the national taxpayers of the proposals of the Committee is estimated at about five millions per annum, and this sum would, of course, increase automatically in the future. As it is certain that no increased contribution from the national exchequer ever resulted in an equal diminution of the sum raised by rates, it is probable that a considerable increase of the total charge may be looked for. It is probable, however, that when the central Government has partially to pay the piper, its inspectors, sooner or later, will shed a little of their present sublime disregard of expense, so that the total outlay may in some respects bring in a better return.

The *Appendix* contains the evidence taken on the 29th to 35th days, and a number of memoranda, of which the most interesting is the report, prepared in 1910, of Mr. W. J. Braithwaite and Mr. S. E. Minnis on taxation in Prussia, Hamburg, Strasburg, Berne, and Zurich. This brings out very clearly the fact that the Prussian local taxation of income is far from being exclusively taxation of income by the locality of its presumable destination—the residence or residences of its recipient. An amazingly complicated system of apportionment appears to result in the lion's share being taxed by the locality of its origin. It seems quite possible that when the whole laborious process has been gone through the result is not very different from the existing English system under which income-yielding, immovable property is taxed by the locality in which it is found: the Prussian system, of course, includes income from movable and intangible property and from labour, but he would be a rash man who ventured to assert that any class of human beings was either benefited or damaged by the difference. Doubtless some classes of localities are more "favoured," *i.e.*, made more desirable to live, invest, and work in, and others are less favoured than they would be under our system or under the old Prussian system; but this question is not examined by the reporters.

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