NEITHER SOCIALIST NOR DEMOCRATIC

Mr. Wilson on Taxation and 'Planning'

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MR. Harold Wilson's speech at Swansea on January 25 was the first sustained effort in his General Election campaign to outline the economic policy, which a Labour government would operate if it attained office. On some questions the policy was very vague, on others (particularly taxation policy) there was a reasonable degree of precision.

Basically Mr. Wilson's first principle coincides with that of Sir Alec Douglas Home and Mr. Reginald Maudling. Namely, that the British capitalist economy must produce more and, out of that extra production there will come the resources to finance educational development and a modest degree of other social reforms. Therefore there is no need for increased taxation of the rich. Mr. Wilson also wants a new type of planning organisation to supervise the process of increasing production but, when he comes to actual measures to be applied, his approach is little different from that of the Tories:

> We have been thinking in terms of a Ministry of Production, under a senior Minister to ensure that an effective national plan is worked out for production, exports, imports, capital investment and industrial training and technological research. What *Neddy* has begun this Ministry must carry through to completion, with effective powers for the job.

The main question is, however, given a monopoly capitalist society, how to get the powerful privately owned firms (the monopolies and the near monopolies) to conform to the plan. The general answer, which Mr. Wilson gives, is that firms must be given tax inducements to persuade them to play their part. The main inducements will be tax reliefs when they export more, or when they undertake to produce types of goods at home which are at present bought from abroad, or when they are prepared to introduce automation on a large scale. The basis of this 'planning' is clear. The monopolies and near monopolies will not be prepared to co-operate with the Government on the present basis. They must be induced to co-operate by being given special tax exemptions—either in the form of increased investment allowances or some other form of subsidy or tax relief. Now clearly this form of inducement is likely to favour the go ahead firms at the expense of stick in the muds. In fact with certain exceptions, it is likely to favour the large firms—thereby increasing the degree of monopolisation in British industry.

Is this not equivalent to increasing the income of the large firms at the expense of the general body of taxpayers, one is tempted to ask? Wilson's reply is 'within company taxation, we should like to see a redistribution of the burden between the lazy and the slothful on the one hand, and the energetic and enterprising on the other, by the methods I have outlined'. Alas no such method has been outlined by Mr. Wilson in this speech or any other that we have seen. Those who conform to the Government's policy will be given subsidies in the form of tax reliefs. Those who do not will not get the subsidies, but it does not follow from this that it is they, and not the general body of taxpayers, who will be called to find the subsidies to the so-called 'go-aheads'. What is clear is that there will be inducements for firms able and willing to fall in with the Government's plans, and that the Government will help them to achieve a considerable increase in profits, most of which they will be allowed to retain.

With regard to profits in general, Mr. Wilson proposes to re-introduce the system, which existed previous to 1958, of taxing profits distributed as dividends at a higher rate than profits ploughed back into the companies to finance future expansion. This has led to some sham indignation in Stock Exchange quarters, though in fact this type of taxation is almost universal in the capitalist world. In fact its re-introduction in Britain may please some directorates, who want Government support in increasing the amount of profits ploughed back, not always for the purpose of extending their own plants, but for the purpose of buying shares in other firms. But however the ploughed back profits are used, they will, if the company is moderately successful, increase the value of the shares in the hands of shareholders. So the shareholders can sell these shares on the Stock Exchange and realise a capital gain. Or the company can make a bonus issue and give its shareholders an additional share for every one they now hold. Thus if a company limits dividends the value of its shares will increase and shareholders will be able to sell their shares and realise a capital gain. Now Mr. Wilson is in favour of a tax on capital gains and this is all to the good, though a great deal will depend on the rate at which the tax is levied. It is quite likely however, despite this tax, that most of the long term capital gains will be found to stick to the fingers of the shareholders.

There are two strange omissions from Mr. Wilson's tax policy, a tax on capital and a more effective system of death duties. It is remarkable that in spite of the apparent heavy burden of taxes on incomes, the distribution of accumulated wealth in Britain continues to be grossly unequal. Despite the heavy estate duties which have been imposed over a long period, 2 per cent of the population own over one-half of the private wealth of the country. The great fortunes are not being broken up. Fortunes are being distributed 'round the family' by gifts during the life-time of the head of that institution. When he dies only a tiny part of his fortune is left to be taken into account in assessing estate duties. With the growing accumulation of wealth the yield of estate duties should be growing greater every year. In fact it is virtually stagnant. There is probably no tax in any major capitalist country that is so brazenly evaded.

For a long time the Labour Party has played with the idea of a 'capital tax' or a 'wealth tax' that would be less easy to evade and which would break up the great fortunes. Such a tax finds no place in Mr. Wilson's list and there is every reason to believe that under the threat of a 'flight of capital' it has been abandoned. After all it is a bit inconsistent to 'plan' by inducing the monopolists, under the bribe of tax reliefs, to do what the Government wants them to do and then proceed to break up large fortunes by way of a 'wealth' tax or a 'capital' tax. Co-operation with the large firms in promoting a policy of economic growth precludes attacking the personal fortunes of those who control them. If the policy of stimulating capital investment is successful, then every year the portfolio of shares in the hands of the larger shareholders becomes more valuable. Their personal fortunes increase so that the accumulated wealth in the hands of 2 per cent of the people grows larger and the distribution of wealth between the classes grows more and more unequal. This is the logical outcome of giving the large capitalist firms more incentives to accumulate with a view to greatly increased profits.

Some years ago right-wing socialists in their anxiety to divorce socialism from nationalisation (of any type) coined the slogan 'Socialism is about equality' arguing that it was possible to achieve a greater degree of social and economic equality by taxation. Mr. Wilson's tax reliefs for willing monopolists is putting paid to that proposition. The new slogan should be 'Socialism is about increasing production under monopoly capitalism'. By stimulating capital development and capital accumulation it will increase the fortunes of the controllers of industry and intensify social inequality. We say that a capital tax or wealth tax would do no more than slow down this process. However, in the absence of such a tax, inequality in the distribution of personal wealth is bound to increase sharply.

We may count as a positive point that Mr. Wilson promised an 'attack on tax avoidance'. There is scope for this attack when it is realised that while the national income has increased more than threefold since before the war, the yield in surtax has not increased threefold, despite a rise in its rate. Firms are paying their executives more in goods and services—the personal payment of expensive education for their children, expensive insurance schemes and much else besides. If some of this can be stopped it will be of some limited use. There is, however, no redistributory element in Mr. Wilson's policy. The big firms (or those which are amenable to Government policy) will be induced to produce more, increase their profits and accumulate capital at a faster rate. This only serves to underline the basic socialist point that until the great privately owned industries are brought into national ownership and the fortunes of those who control them are cut off at their source, taxation at the best can only slow down the pace at which economic and social inequality grows and those in control of the means of producing and exchanging wealth will be in a strong position to keep ahead of the Inland Revenue in devising new methods of tax avoidance.

Mr. Wilson has got to reconcile his policy of giving inducements to the monopolists with his incomes policy, which aims at ensuring 'a planned growth of incomes'. Few trade unionists have any doubt of the ability of a government, provided the unions foolishly give it their consent, to restrict increases in wages *in the short run*, i.e. until the workers realise the inequities of this policy in a capitalist society. It is now quite evident, however, that neither the Tory Government nor the Federation of British Industries, nor anyone else, has yet explained how, having prevented wages from rising, they are going to prevent profits from rising. What they have said to the trade union officials is that if they co-operate in keeping wage increases from rising by more than 3½ per cent per year, here and now, and if as a result of this profits rise above a certain level in the future, then the Government will take some of these extra profits back by means of taxation. That is the only policy that the Tories and the F.B.I. have suggested. Its gross injustice is so evident that even the right wing devotees of an 'incomes policy' are refusing to accept it in this form because 'confidence trick' is written all over it.

In no visible way is Mr. Wilson's version of an 'incomes policy' different from that of Mr. Maudling. He has carefully refrained from telling us how he proposes to deal with profits as part of his incomes policy. He told the Swansea audience 'we have the right to ask for this (incomes) policy because we are willing to create the conditions in which it can be established—conditions applying to all incomes, not excluding rents'. This is not good enough. It is the kind of thing that the Government has been ladling out for the last two years. When it came to a show-down it was found to be a policy that restricted the wages and salaries leaving profits and prices control as a vague aspiration for the future. It is doubtful if Mr. Wilson has a policy basically different from this. So the whole policy based on the subsidisation of the monopolists can only increase their power to dominate industry and government. In all this there is neither a socialist nor a democratic strategy. All progressive elements in the Labour Party must force Mr. Wilson and the N.E.C. to think again.