PHILIP SNOWDEN

THE MAN AND HIS FINANCIAL POLICY

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TRANSLATED FROM THE FRENCH

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AUTHOR'S PREFACE

THE author of this book, being a foreigner, is not qualified to take a part in British politics and, having never participated in the political feuds of his own country, he felt no temptation to do so. He is not a Socialist, but belonging to the historical school he does not close his eyes to the Socialist point of view. Indeed he has found no difficulty in judging Mr. Snowden's financial policy as objectively as he appreciated only a few months ago the activities of two Greek financiers of the fourth century B.C. : Antimenes of Rhodes and Cleomenes of Naucratis.[1]

But while the author feels it is not necessary for him to enlarge on the fact that his book is an unbiased one, he does not consider it unnecessary to explain its evident deficiencies. The British reader is begged to consider :

Firstly, that this essay was written in French and mainly for the French public. The books to which reference was made for supplementary information had in consequence to be as far as possible books published in France. Many things

[1] Professor Andreades' essay on these two agents of Alexander the Great appeared in the last issue of the *Bulletin de Correspondance HelUnique,* the well-known French archaeological magazine.

had also **to** be explained which can but appear obvious to men more conversant with British finances or politics in general.

Secondly, the manuscript was sent to the press early in June 1930, and consequently the only events referred to are such as took place prior to this date.

Thirdly, this book was entirely written in Athens. And though the Athenian libraries are no poorer in English publications than most of the libraries of South-Eastern Europe, they cannot offer the facilities which are to be found in England or in some of the greater Continental capitals. The author has spared no pains to collect the material that could be found in his own country. He fully realises, however, the great shortcomings of his work and begs to apologise for them.

The necessity in which he finds himself to crave the indulgence of the British reader is even his main reason for writing a preface : one of these distasteful soliloquies in which the writer speaks mainly about himself.

The author welcomes this opportunity to thank Miss Bolton for having translated his little book with so remarkable a celerity and elegance of style.

A. ANDREADES.

July 1930.

FOREWORD

AMONG the men of to-day there are few who have a more striking personality than Mr. Philip Snowden. He is, moreover, one of the few post-war finance ministers entitled to be called a great financier. He is, therefore, doubly deserving of a somewhat penetrating study, and this would seem to be especially called for since, in spite of the way his name was bandied about during the Hague Conference, foreigners are, on the whole, extremely ill-informed about him and lack even the rudimentary knowledge which might enable them to form some opinion.[1]

[1] " In England there is no need to die to fall into the hands of a biographer. As soon as anyone becomes at ail prominent in politics, art or commerce, he is sure to find his Plutarch. At the age of thirty Mr. Winston Churchill already had his biography, 348 pages long."

These remarks, made by a witty Italian journalist, Mario Borsa (*77 teatro inglese contemporaneo,* Milan, 1906, p. 61), do not apply unfortunately to Mr. Snowden. In Athens, at any rate, I was able to obtain only one article on him, by M. Augustin Leger, an excellent one, by the way *(Revue de France,* December 1, 1929), and an " impartial portrait," which also appeared at the end of last autumn, by C. E. Bechhofer Roberts, a distinguished and versatile writer, who signs himself " Ephesian." I have had constant recourse to this last work, but the assistance I derived from it would have been considerably greater had it not been for its entire lack of references; it fails often to supply even the dates of speeches from which extracts are given.

In the following pages, which have a purely objective and documentary character, special attention is paid to his financial policy, but an attempt is also made to give a fairly detailed sketch of the man and his political career.

Athens, May 1930.

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PART I

THE MAN AND HIS POLITICAL CAREER

ALL who have spoken of Philip Snowden, himself included, have never failed to lay stress on his Yorkshire origin, and I cannot but follow their example. But a study such as this gains in brevity and clearness if, at the very beginning, the reader is given some information about the history of the English Parliamentary Labour Party, with which Mr. Snowden's public life has been identified, and whose upward progress he has followed, With this, then, I will begin.

CHAPTER I

THE LABOUR PARTY, ITS FORTUNE AND ITS CHARACTERISTIC FEATURES

BEFORE 1906 there was, strictly speaking, no Socialist Party in the English Parliament. It is true the workers had long been organised in Unions, and these, owing to their annual assembly,[1] had, since 1864, formed a sort of confederation of labour. Again, in the matter of doctrine the Liberal school had been badly hit, as much by the Marxian gospel, preached from 1880 onwards by Hyndman and his disciples, as by the Fabian Society, which, taking Fabius Cunctator as patron, advocated progressive Nationalisation. Finally, there were in Parliament Trade Union members, not counting certain members with Labour views who collaborated with the Liberal Party (Labour-Liberals, or more briefly Lib-Labs).

On the other hand: I. The Trade Unions took no part in election contests. They confined themselves to the professional character given to them by their legislative charter, as much out of respect for the law as because they were then mainly composed of skilled labourers, who, in more than one way, are akin to the lower middle class.

I I . The Marxian ideas which found favour in intel-

[1] Trades Union Congress.

lectual and literary circles accorded ill with the average English mentality. The Fabians themselves were recruited from writers* rather than from men of action; moreover, it was not so much nationalisation that they preached as municipalisation.[2]

III. In Parliament itself there were to be found, in addition to ten or so Labour-Liberals, independent Trade Union members, such as John Burns and Keir Hardie. But while the former co-operated loyally with the Gladstonians, the latter, standing by themselves, figured rather as original and marked personalities than as party leaders.

IV. The great working-class masses were waiting and watching. By nature slow to move, being English, they found it difficult to choose between the four or five samples of Socialism offered them; the controversies between different groups (those between Hyndman and Hardie were very violent) increased their indecision. Besides, they felt less than their brethren on the Continent the need for Parliamentary representation. Even without it the proletariat had obtained free education, the franchise and an industrial legislation very complete for the time.

[1] For example, Sidney Webb, now Lord Passfield, and Bernard Shaw.

» Especially of the gas and water services, hence their nickname " gas and water Socialists." Through this channel, already explored (notably by Joseph Chamberlain of Birmingham), they undoubtedly contributed to the great wave of nationalisation which manifested itself at the end of the last century, and which at the opening of this one gave rise to an entire literature. Among the works in the French language may be mentioned Boverat's *Le socialisme municipal en Angleterre et ses rtsultats financiers* (Paris, 1907), and an article with a very similar title by M. Dubois in the *Revue des Deux Mondes,* March 1, 1908.

It is obvious that the zeal for social reform shown by both Liberal and Conservative parties—for here the Conservatives vied with the Liberals—was a great factor in this. About 1900 Snowden compared the workers who had obtained the franchise but did*'not bother to put up members of their own to a man who is satisfied with only half a pair of trousers. Now about this very time I myself arrived in England to complete my studies in economics, and I found there an industrial legislation more advanced than that in many States having a large Socialist representation. In fact, the English working man gave me the impression of being not a " semi-culotte," but a man sufficiently well clad not to mind doing without collar and tie.

But leaving this clothes controversy aside, the state of affairs connected with it certainly came to an end with the nineteenth century. Several new factors came into existence at the beginning of Edward VII's reign.

First of all, in 1901 the different Socialist groups amalgamated in a single organisation, taking the name of " Labour Representation Committee/' the general secretary of which was none other than Mr. Ramsay MacDonald, the present Prime Minister.

Secondly, in 1904 the Trade Unions, impelled by the manual workers, officially decided to take part in election contests. A few years later a judgment of the High Court[1] threw them headlong in, for they

[1] **This decision declared it illegal to employ Union funds for the payment of election expenses and salaries of M.P.s. Payment of members being not yet in force, this prevented Trade Unions from being represented in Parliament.**

felt it necessary to obtain a revision of the law which served as their charter.

The split in the Conservative Party hastened developments. Up till then, the Tories, first of all by a policy of outbidding * and then by an alliance with the advanced Radicals, Chamberlainites, whom Home Rule had caused to break away from Gladstone, had managed to obtain a good number of the votes of the working classes, who were partly influenced, it must be admitted, by imperialistic feelings.[2] But after Lord Salisbury's retirement the Conservative Party, torn by dissensions, no longer seemed indispensable to national greatness, and the idea of a preferential tariff, towards which it was spasmodically progressing, disgusted the masses, who associated the idea of Protection with memories of dear living and bread at an impossible price.[3]

For all these reasons, the General Election of January 1906, an unspeakable disaster for the Conservatives, resulted in an overwhelming Liberal majority and in the return of more than 50 Labour members, of whom 29 were elected by the recently

[1] *E.g.* Disraeli, when he became Prime Minister in 1874, declared "picketing" to be legal. M. Suares, in his recent study of Georges Clemenceau, quotes the forceful words in which the latter protested against these attacks on the liberty of the individual. It may be added, that Waldeck-Rousseau, the Premier, for his part, proclaimed the right of a worker, willing to work, to be protected.

[2] At the time of the elections of 1886, 1892, 1895, the unity of the Kingdom seemed to be imperilled by the project of Home Rule for Ireland. The election of 1900 took place when the Boer War was at its height.

[3] As a matter of fact, Robert Peel by his Free Trade legislation sacrificed landowners to manufacturers **and** workers.

constituted Independent Labour Party.[1] It was the first step. The House of Lords and the Great War did the rest.

It will be remembered how the Lords and Commons engaged in a struggle[2] which culminated in tw6* successive General Elections (January, December, 1910). The direct result was that the Upper Chamber found its legislative privileges considerably curtailed. But there were others, notably this one : that the Prime Minister, Asquith, seeing the working Liberal majority reduced to four, could no longer govern without the support of the Labour Party.[3]

The influence of the latter had grown considerably owing to the Left Wing " cart el," the result of successive appeals to the electorate. Numbers of artisans and of the lower middle class had been led to vote for the " out-and-out Socialists," which up till then had seemed to them to be a revolutionary proceeding.

The barrier separating the Labour Party from an important section of the electoral body was thus removed. The Coalition Ministry which governed

[1] The others were the Labour-Liberals and miners' representatives, forming a group apart.

[1] For the financial side of this see Walter Lotz, *Finanzreform in heutigen England* in No. 248 of the *VolkswirtschaftUchen Zeitfragen,* which contains a good bibliography; Augustin Filon, *UAngleterre d'Edouard VII* (Paris, 1911); R. della Volta, *Saggi tconomicie finanziarii sull' Inghliterra* (Rome, 1912).

* He needed also the support of the Irish Nationalists. Hence **the** return of Home Rule, banished from the election programme of 1905-6. In **a** word, the Lords behaved as if, on political, **national and social grounds, they were aiming at the passing of measures hitherto abhorrent to them.**

England up to 1922 strengthened still further the position of the Labour Party. In spite of the wave of Nationalism which was the dominant feature of the General Election of December 1918, it numbered 63 members. And as, with the exception of the group of Asquithian malcontents, all the Liberal and Conservative members supported the Lloyd George Cabinet, it represented for four years the only Parliamentary Opposition. The public became so used to this situation that at the General Election in the autumn of 1922, in spite of the reconciliation of Asquith and Lloyd George, it was towards the Labour Party that the majority of those opposed to the Bonar Law Cabinet turned.

Labour obtained 140 seats to 117 won by the Liberals and 344 by the Conservatives. And when Mr. Baldwin, in the meantime appointed Prime Minister, unexpectedly decided to move the abolition of Free Trade, and with this end in view force a new appeal to the electorate,[1] the return to St. Stephen's of 258 Conservatives, 191 Labour members and 158 Liberals made the formation of the first Labour Cabinet inevitable.

This was, it is true, short-lived; the voters, as if frightened by what they had done, hastened nine months later to elect more than 400 Conservatives. But the Labour Party continued, none the less, to form the most important section of the Opposition. They numbered 151 to 42 Liberals. At the General Election in May 1929 they gained for the first time

[1] **Snowden, in the language of the police court, termed this decision " suicide during a fit of temporary insanity."**

a relative majority.[1] The number of seats won gives grounds for hope that in a more or less distant future—a near future if Liberal voters grow disheartened[2]—they will obtain a clear majority.

[1] **The results may be summed up as follows :**

Labour	**289**
Conservatives	**260**
Liberals	**5 9**
Independents	**8**

[2] **The Liberals, stimulated by the results of certain by-elections and fired by their leader, had entered the contest with a united front and a zeal worthy of their best days. Thanks to these factors and to their long-standing electoral organisation, they obtained 23 per cent. (5,300,000) of the total votes. Yet hardly 9 per cent, of the seats went to them.**

The Labour Party hope that, disillusioned by results so out of proportion to the efforts made, the majority of Liberal voters will next time rally round their banner. This would no doubt become an accomplished fact if Lloyd George were to retire from politics. But as long as the fiery, eloquent Welshman continues to be the strongest personality in Parliament (and this he has undoubtedly shown himself to be since the Election), the break-up of the old Gladstonian party cannot be with certainty foretold.

Since these lines were written, La Soci6te d'Economic Politique (meeting on Feb. 5, 1930) put on its agenda *La crise du IMralisme anglais.* M. Y. Goblet's communication and the remarks made by the Marquis de Chasseioup-Laubat and by M. Colson ought to be carefully read. Let us bear in mind these statistics on the distribution of votes.

	1924.	**1929.**
Conservatives	**. 4 7 %**	**38%**
Labour.	**.63**	**37**
Liberals	**. 1 8**	**23**
Other Parties	**2**	**2**

Here is a more detailed table taken from a sound article by Helen Newcome, " The English Liberal Party" *(Revue de Geneve,* May 1930).

	Conservatives.		Liberals.		Labour.		Independents.	
	Votes.	Seats.	Votes.	Seats.	Votes.	Seats.	Votes.	**Seats.**
1922	38.7	56-4	28-6	19*0	29*6	22-9	3.1	1.4
1923 .	38-1	**41-9**	29*6	25*7	30-9	31-0	1.4	1.3
1924 .	**47-8**	**67-4**	**17-9**	*To*	33*1	24-7	I.3	o.8
1929 .	38-3	**422**	**23-4**	9 4	37o	47-o	i-3	1.3

The fact that the Crown had on two occasions to call to power a party which before 1905 was non-existent in Parliament astounded public opinion in Europe. Obviously, the circumstance was almost unprecedented. But one must beware of judging English affairs from the Continental standpoint. Just as the absence of labour representation did not prevent the promulgation of Social legislation, similarly a Labour majority does not bring in its train the upheavals which a Socialist Cabinet elsewhere would have brought about.[1] A pronounced attachment to the monarchical principle,[2] an ardent religious faith, a real respect for tradition, an anxiety to bring about reforms gradually are features —and I mention only a few—that it would be difficult to find in a Continental Socialist Government. The gospel is the same, it is true; coming from without, it is Karl Marx's *Capital.* But different creeds may spring from the same sacred books. Moreover, in this case, the modes of action differ entirely. We must not be astonished then if the Labour Party[3]

[1] **M. Gauvain observed in the *Journal des De'bats* of June 10, 1929 : " Nothing will take place in England like what would be seen in France if M. Leon Blum were to become Prime Minister."**

[8] **Cf. the commencement of the opening speech of the new Parliament. It must be noted too, for these little things are important, that the appellation *comrade,* formerly held so much in nonour, is now banned " as being affected." iJabour members address each other as *Mr.* A ruling to this effect appeared in the official organ of the *Independent Labour Party.* It is quoted by " Ephesian " on p. 27.**

• **See Mr. Ramsay MacDonald's lecture to the Comite National d'Etudes de Paris, the substance of which, printed in *Le Temps* of December 11,1928, may be regarded as an official expression of the English doctrine. Cf. also what is said further on about Mr. Snowden's reasons for preferring evolutionary methods to direct action.**

deiounces Bolshevism, and if, where nationalisation is concerned, for the time being they advocate it only for mines and land, in the case of which there are, moreover, special reasons: the concentration of property in a few hands [x] and an undeniably faulty brganisation in the mining industry. These reforms are still to be looked for in the future.

This glimpse of the history of the Labour Party and of its altogether British character is necessary for the proper understanding of the career and financial policy of Philip Snowden. To form an estimate of the man himself, we must first know something of the district in which he was born and of the surroundings in which he was brought up.

[1] In the pages given up to the Tax on Land Values, it will be seen that concentration, especially as regards town property, is not so great as was believed. It is, however, still considerable. In the country, large estates very definitely predominate. But in fairness to the great landowners it must be admitted that they do not grind down their tenants.

CHAPTER II

PHILIP SNOWDEN'S ORIGIN—INFLUENCE OF HOME SURROUNDINGS

THE people of Yorkshire are well known for their perseverance, their honesty and their matter-of-factness. They combine with a deep religious feeling a faculty for business, a humour *sui generis*, and a very pronounced individuality. There are English people who are more genial, but none more reliable.

Mr. Snowden has boasted of being " only a stolid, unimaginative, truthful Yorkshireman." He is certainly a typical specimen of a " Yorkshire lad/' and to have no acquaintance with his county is to have little understanding of the man himself. But it is his district even more than his county which explains his ideas and particularly his character, which is both Christian and, if I may say so, conservative in its Socialism.

The novels of the Bronte sisters have made known to the public at large that part of the West Riding in which Snowden passed all his early years. It is a bleak country-side; the climate is severe and the winters are long. Outside the few towns, the population is distributed in little groups of dwellings, that would be called villages if they were inhabited by peasants. The little stone houses shelter a

population engaged in industry for generations, which sheer grit has enabled to adapt itself to the very rapid development of modern machinery. Ill-favoured by fortune, these people possess a standard of morals and education which those more fortunate might envy. A faith, deep, fervent and austere—Puritanism—animates them and helps them to carry on the hard struggle with life.

It has often been said that one lecture was enough to convert Mr. Snowden to Socialism. The truth is that the seed fell on ground long prepared for it. How could he have done otherwise than dream of a rosier future for the working classes when all through his childhood he had seen his mother and sisters leave home for the mill, and his playmates obliged from their twelfth year to do likewise; when he had seen practically all those about him going through a joyless life towards a miserable old age; when the problem of how to obtain the daily bread was constantly staring them in the face ?

Mr. Snowden has made many references in his speeches to the life in his village,[1] and I do no more than give the gist of his own words. But he also bears in mind another thing which he does not perhaps mention often enough, though it is reflected in his policy. I allude to the improvement

[1] **His articles, too, are inspired by it. In the first of them (January 1895, quoted by " Ephesian " on p. 14) he describes the women losing their youth and health at the mill, separated from their children for twelve hours a day, obliged on return from work to toil in the home, to spend the evening preparing the meal to be heated up next day at the factory, not even able to enjoy their Sundays. The picture he gives of the children's life is just as gloomy.**

in the lot of the working classes by legislative means: free education with maintenance,[1] the regulation of the work of women and children, the shortening of the hours of work, health insurance, disablement or old-age pensions, unemployment pay, etc., etc.;[2] not to mention repeated extensions of the franchise, which, particularly since the vote was given to women, have placed the future of England in the hands of the working classes. Similarly, he has perceived—and he has not hesitated to proclaim it—that the hardships of the working classes do not arise from the greed of the employers but are due to economic organisation; in other words, to more general and more complex causes. This twofold acknowledgment provides the key to his policy. He believes in legislative reforms, and he does not believe that just to do away with the employer will ensure the happiness of the worker.

To understand the man himself, it must also be remembered that in Yorkshire villages, the Nonconformist chapel plays the same part as the fireside in a peasant's cottage. All life centres round it. It is at once church, school and club. In the absence of a professional minister of religion, every man possessing a certain amount of education has to undertake some of the duties of a clergyman. So it is that Mr. Snowden has been a kind of lay preacher. Religious interests constantly occupy his mind. One of the reasons, doubtless, why

[1] **Many scholars are now provided with their midday meal.**
[2] **Cf. what is said later on of the rapid and incessant increase in expenditure on Social Services in Great Britain.**

Socialism attracted him was that he found in it an echo of the Sermon on the Mount.

Several of the lectures by which he thrust himself on public notice more than thirty years ago had as their particular aim the establishment of a close relationship between his religious and his social doctrines.[1] And if his speeches, at times bitter and generally matter-of-fact, have not that sermon-like flavour which so struck Mr. MacDonald's hearers at Geneva,[2] they abound, nevertheless, in quotations from the Old and New Testaments, and borrow sometimes from the Scriptures even those unexpected tirades which give them such an individual character.[3]

Also Puritan in origin is the zeal with which from his earliest years he has thrown himself into the Temperance Movement, which, having engrossed him almost as much as social reform, calls for a separate study.[4]

[1] **Witness their titles : *The Social Side of the Teaching of Jesus* ; *Why Christians ought to be Socialists ; The Religion of Socialism,* etc.**

*** I speak here from personal experience, for I had the good fortune to be present, as a humble third delegate of a little country, at the two speeches delivered by the British Prime Minister in 1924 and in 1929 to the Assembly of the League of Nations.**

*** In the parable of Lazarus we see the rich man craving not whisky but a drop of water; an indication of the future reserved for us teetotallers.**

Some fifty years ago, the Greek Anatole France, Emmanuel Rhoidis, advised young men against reading the Bible on the grounds that it would encourage them to associate with loose women in preference to virtuous ones, since Judith had cut off the entire head of Holofemes, while Delilah contented herself with Samson's hair.

*** Cf. Appendix B.**

Finally, the horror of the Nonconformists for war[1] helps to explain the policy followed by Snowden during the Boer War and during the years 1914-18, although he knew that the result would be defeats at the elections and that he risked definitely ruining his career.

Puritanism being like Catholicism, perhaps more so, not merely a religious confession and a strict rule of life, but also a code of social politics, it is open to question whether Snowden's financial programme would have been very different if he had not been converted to Socialism. The late Augustin Filon, Jacques Bardoux and other foreigners knowing England well, had already noted the part played by the " Puritan Democracy " shortly before the War. Angered by the kind of life ledby the wealthy classes,[2] they were ready to make them pay dearly for the monopoly of landed property and for their large personal fortunes.[3] If one takes into account the march of time, there is a good deal of similarity between the Lloyd George of 1910 and the Snowden of 1930, and it will be seen presently that the financial programme drawn up by the latter at the time of the ultimately victorious campaign against

[1] Recall the attitude of John Bright and his friends during the Crimean War and the indignation aroused in their circle by the idea of another war on Turkey's behalf, desired by Queen Victoria and Disraeli in 1877-78, etc., etc.

[2] They were accused among other things of corrupting; the masses by encouraging a taste for luxury and racing, and giving the habit of drinking an air of smartness.

[3] The privileges of the Anglican Church and the close connection it maintained (more by force of circumstances than of deliberate intention) with the ruling classes had, of course, their influence also.

the House of Lords did not contain any provisions which the former would have disavowed.

But let us leave these conjectures, and having tried to describe the man—such as his surroundings had made him—let us see what his life has been.

CHAPTER I I I

THE CHIEF STAGES IN MR. SNOWDEN'S CAREER

(a) *His Youth and Early Struggles*— Philip Snowden was born on the 18th July, 1864, at Cowling, a village of about sixty cottages near the little town of Keighley. Thanks to the local school, the Wesleyan chapel and to his father, a self-educated working man, he received a fairly sound education. An omnivorous reader himself, he completed it by devouring every work which fell into his hands. Employed for some time by an insurance company, he took advantage in 1886 of a competitive examination to enter the Civil Service. He remained in the Excise Service till 1891. His chiefs thought very highly of him, and for two years they refused to accept his resignation. He was, however, obliged to insist on it. A terrible bicycle accident forced him to keep to his bed for twelve months and rendered him manifestly unfit to take up his duties again. Moreover, although his state of health has greatly improved, he will remain an invalid for the rest of his days.

From 1891 to 1894, bedridden or hardly able to move, he turned his attention to the study of social science and especially economic questions. A lecture by Mrs. E. Stacey was, in his own words, his road to Damascus. He proclaimed himself a Socialist.

About the same time, the Independent Labour Party (usually known as the I.L.P.) having been formed, with a programme of systematic propagandist activity throughout the country, he joined it, and for more than ten years was able to live, thanks to lecture tours and articles in little Socialist papers. He attracted public attention by both. In 1898 he was elected a member of the administrative council of the I.L.P. In the General Election of 1900, as well as in a by-election in 1902, he obtained a number of votes, showing that his influence extended beyond the then limited circle of little chapel Socialists.[1] And when finally he went to Westminster in 1906, everyone saw in him the recognised economist of the Labour Party.

Finding myself in England during the summer of that year, I was anxious to inquire into the proposed financial reforms of the new party; on every side I was advised to meet him. One of my Oxford friends, Charles Lister, the son of Lord Ribblesdale and nephew of Mrs. Asquith, whose generous nature had led him to espouse the new doctrines,[2] put me

[1] In 1900, no Socialist except Keir Hardie was elected. To the reasons which caused the defeat of the other candidates, few in number by the way, must be added in Snowden's case the reaction brought about by his violent denunciations of the Boer War. Nevertheless, he obtained 7096 votes out of a total of 16,757, and in 1902 (in another constituency) 1979 votes as against 2960 given to his lucky opponent.

It may be mentioned that Snowden had been trying to get into the House of Commons ever since the General Election of 1895. But as, by law, the election expenses were borne by the candidates, neither he nor his friends, in spite of superhuman efforts, could collect the necessary £160.

[1] This young man, who had **a great future before him,** was killed **at the Dardanelles.**

in touch with him. I retain a lively remembrance of our conversation. I found a man, free from the sentimental verbiage so common in popular orators, bent on obtaining step by step reforms to which, in his opinion, no one could possibly raise any objection on principle. Although he had only just entered Parliament, he spoke to me exactly as he speaks to-day, when he is for the second time Chancellor of the Exchequer.[1]

(b) *Snow den at Westminster. Fiscal Reform. Payment of Members.*—Although, from his first speech, Snowden had shown that he knew his business and that he was as much at home in Parliament as on a public platform,[2] he had at the beginning but a slight and very indirect influence on the legislative measures passed by the new House. The 400 Liberal members were able to keep their Labour allies in their proper place.

The situation changed as soon as the Lords compelled them to beg for their support. Already before 1910 Mr. Asquith, then Prime Minister, had publicly appealed to Snowden's expert knowledge on the question of the proposed Old-Age Pensions Act.

[1] **Though not a Socialist myself, I must do him this much justice, for his statements have at times been exaggerated : " The first thing a new Minister should do is to burn his election speeches." It is possible that he may have been led, like everyone else, into making extravagant promises at election times. But, as the ponderous *Encyclopedia Britannica* tells us (word: Socialism), moderate reforms are obtained only by means of excessive demands.**

After all, he is less open to reproach on the score of extravagant pledges than of violence of language. But this violence is not confined to election times, and further on I will try to explain it.

[8] **See " Ephesian," pp. 119-25, on this speech and the effect it produced.**

And no one accused him of presumption when, about the same time, he outlined for Mr. Lloyd George, then Chancellor of the Exchequer, a complete scheme of fiscal reform, which will be dealt with at lengthen the chapter on his financial policy.

Another reform on which Snowden had a paramount influence was the introduction of the payment of a salary of £400 a year to Members of Parliament. The principle of payment had not only been in abeyance for many centuries,[1] but, with time, it had come to be recognised that one of the fundamental reasons for the success of the British Parliamentary system lay in the voluntary service of its members. And the causes of failure in similar systems elsewhere were attributed to the professional character of their politicians. Gladstone came to be of this way of thinking after a period of residence in i860 as High Commissioner Extraordinary in my native land, the Ionian Isles.[2] Without launching out into a discussion on the merits and demerits of the system, it is difficult to deny that payment of

[1] Under the Plantagenets and Tudors, the borough and county representatives received their travelling expenses and maintenance in London during the session. And it is estimated that, considering the value of money at that time, this grant was more than enough to cover their outlay.

[2] This was, as a matter of fact, an erroneous conclusion. The Ionian people, then under **a** British Protectorate, asked only one thing of their representatives : that they should use all possible means to bring about union with Greece. It is possible that certain demagogues tried to make capital out of this, but it was popularity they were after rather than a salary, and they continued in political life even with the ridiculous payment which the Greek Constitution of 1864 granted to the Hellenic *bouleutes.*

See on the administration of the English Protectorate **in the Ionian** Isles, **the** study which **I** published **in Greek under this title (Athens, 1907).**

members does seem to be an almost indispensable complement to democratic representation. Even Gladstone's immediate successors found themselves obliged to accept the principle,[1] and after the elections which the House of Lords forced upon the country, it was clear that it must become an established fact. The Asquithian Government proposed a salary of £400 a year; this, after being violently attacked on principle, was in danger of being considerably reduced. Snowden delivered the speech that was necessary in the circumstances. On the one hand, he proved with the help of his own personal accounts,[2] that a salary lower than £300 would mean starvation to a member, who, if he had remained at the mill, could have made ends meet on £100 a year. On the other, he silenced all opposition by pointing out the anomaly existing between the anxiety for economy in this project and the huge salaries received

[1] As soon as the Grand Old Man retired from power, his party announced (March 22,1895) the necessity for Payment of Members and a reduction of election expenses. In his election address at Newcastle (May 19, 1905), Sir Henry Campbell-Bannerman declared these two measures to be indispensable. Yet, once in power, he stated that although his Government was in favour of the reform, the necessary time and means to carry it through were lacking. (House of Commons, March 7, 1906.)

* In this connection, his speech constitutes a valuable biographical document. He received, he explained, *£8* a week from his party. But in spite of rigid economies, this sum was not enough to cover his immediate needs, for his parliamentary duties obliged him to incur the expense of lodgings in London, modest though they were, and of a weekly journey to his constituency (English M.P.s did not then have free railway passes to their constituencies). There were, in addition, inevitable incidental expenses : on postage stamps alone he had to spend *£1* a week. The only way in which he could make his accounts balance was by writing for the newspapers, and he had had to pledge himseli to forward a daily article on parliamentary impressions to **the** *Leeds Mercury,*

by Ministers and higher Civil Servants. At a time when the rate of income tax was still below 10 per cent, and when money had a much higher purchasing power than it has to-day, the argument carried weights[1] The speaker, knowing that Parliament and the electors like seeing the recipients of fat emoluments pilloried, reinforced his argument by citing the case of certain individuals.[2]

When he finished his speech, an adequate salary was assured by common consent. The consequences of this success were greater than may be imagined. Now that a member was not dependent on allowances from this or that organisation, the Left Wing was no longer short of candidates. It was able, too, to make use of that crowd of comparatively poor intellectuals who are now among its chief supports and who, if the old conditions had remained, could have served it only with the pen. Whoever studies the list of candidates at the last election will find it difficult to deny that the introduction of Payment of Members has had important results on the constitution of the English Parliament in general and of the Labour Party in particular, and he will not, therefore, be surprised at the place given here to this

[1] At present the high salaries are subject to an income tax of more than 30 per cent, (with the Sur-tax), while the rise in prices has made them lose part of their pre-war purchasing power. So much so, that a salary of £5000 then was worth nearly £10,000 in present-day currency (a little less since the recent fall m prices).

[2] He mentioned by name a great political family, twenty-four members of which, remunerated for different reasons, had received £316,750 sterling from the State in twenty-five years. He named also a former Speaker of the House who had received ^50,000 in emoluments during the ten years he was in office, and £64,000 in pension during the sixteen years which followed,

reform and to the part played by Mr. Snowden in bringing it about.

(c) *The War and the Years after the War.*—In a general biography of Mr. Snowden, many pages should be devoted to the War years. A study such as this has no need to emphasise them. From 1914 to 1918, Snowden's influence on the financial policy of his country was somewhat limited. Heart and soul opposed to all war, not only did he, unlike certain of his colleagues * remain outside the Coalition Cabinets, but he did not even co-operate with the Government, as most of them did do. Though hating Bacchus even more than Mars, he was only with difficulty persuaded to place his experience at the Government's disposal in connection with the Liquor Reform Laws then in preparation. It is true, he spoke on the subject of the huge sums which the hostilities compelled Parliament to vote, and I shall refer later on to the ideas he expressed on this occasion. For the rest, he looked at things more from the political and diplomatic point of view than from that of finance, and if he condemned the payments beforehand, it was because they were a corollary of conquest. The unconditional peace which he believed to be both necessary and inevitable implied the application of the principle, " no annexations or reparations."

Naturally, the " khaki election " of December 1918 accorded with quite another mentality. The

[1] **Including Mr, Arthur Henderson, now Secretary for Foreign Affairs.**

defeat of Snowden and those who thought like him was complete. It is a question whether this was not of good service to the Socialist Party which, in the days after the Armistice, would have had to display its dissensions before a jeering majority. The disillusionment which followed victory soon brought about the re-establishment of unity.

The position of Mr. Snowden himself was consolidated by the change in his opinions on Bolshevism. The sympathy he had at first felt with Lenin, natural in a man for whom Marxism is an abiding principle, theoretical and remote though it be, was such as to cause further dissensions. But the journey of inquiry in Russia, undertaken by a delegation of the Labour Party, which included Mrs. Snowden,[1] a witness in whose judgment he had every confidence and who is said to exercise some influence over him, gave a new turn to his ideas. He declared Bolshevism to be " a most detestable form of government/[1] and did not hesitate to say that " with its ideas of dictatorship and confiscation, it is not Socialism but the very worst form of die-hard Toryism."

The imperialist policy of the new Russian regime must have also shocked a pacifist who respected the principle of nationality. He was moved, too, by the fate reserved for Georgia, and on the 18th June, 1923, before a full House, he asked for Government intervention to obtain at any rate a mitigation of the

[1] She summed up her impressions of the journey in a book, *Through Bolshevik Russia* (1920). She has also published other foreign political impressions *{A Political Pilgrim in Europe,* **192**1), **and** a work on the Women's Movement.

policy of persecution pursued by the Soviets in the Caucasus region.

Finally, apart from its sanguinary and oppressive character, the Bolshevik experiment, aiming at the immediate application of a system hitherto purely theoretical, without any account being taken (and he emphasised this point) of the economic systems prevailing in the surrounding states, was utterly opposed to his ideal of progressive reform and to his practical mind, which desired not so much abolition of ownership as improvement in the conditions of the workers. This practical turn of mind, which made him see the unfitness of the bureaucracy to administer great enterprises to good purpose, led him about the same time to pronounce against the nationalisation of railways and even of mines. And if, by the spoken and the written word,[1] he continued to advocate the gradual substitution for capitalism of a social and industrial order based on nationalisation, he recognised, too, that " if nationalisation means administration by a Government such as the one we have at present, it would be better to leave it alone."

The post-war period being one in which financial questions came to the fore, Snowden's expert knowledge of these matters still further strengthened his position. He could not help being moved by the magnitude of the expenditure and by the burden of an enormous war debt on the poorer classes.[2] He

[1] During a big debate, alluded to in footnote No. 3, p. 27, and in an important work published on the eve of the election.

*** Its payment meant several hours of work a week for every worker.**

thought to lighten it by a levy on capital, and made this reform the main issue during the 1922 election.[1]

Elected, partly owing to dissensions among the Liberals and Conservatives,[2] he naturally found himself on the Opposition Front Bench, since, as has just been explained, that had officially passed to the Labour Party.[3] And the haste with which Mr. Baldwin rushed into a new election was to carry him over to the opposite benches as Chancellor of the Exchequer.

It was an understood thing that the Labour Government should entrust the Chancellorship of the Exchequer to the member for Colne Valley.[4] But the Budget he introduced a few weeks later surpassed all hopes of the general public. Its courage, soundness of doctrine, the modesty of its estimates, and its mastery of detail entitle it to be numbered among the dozen or so great Budgets, to which, since the Napoleonic wars, English finance owes its excellence.[5] It won for Snowden the esteem of economists of all schools, and the respect of his compatriots of all parties. His attitude at the

[1] Cf. for details Part II of this essay.

[a] He obtained 12,614 votes as against 11,332 gained by the Conservative candidate and 8042 by the Liberal candidate.

[•] In this capacity he was its spokesman in a famous Parliamentary discussion on the merits and demerits of Socialism. His chief opponent on this occasion was Sir Alfred Mond, whose amendment finally obtained 369 votes to the 123 given to Snowden's. Sir Alfred (now Lord Melchett) was a Lloyd Georgian; he has since gone over to the Conservatives. The pure Liberal doctrine, equally opposed to Socialism, is to be found in a speech by Sir John Simon.

[4] This is the constituency Snowden has represented since 1922; from 1906 to 1918 he was member for Blackburn.

[5] Cf. for details, the pages given up to it in Part I I .

Hague Conference, though it did not occasion the same unanimity of praise, was to make his name famous throughout the world. On his return from Holland he was received by the English people as a sort of national hero, and the City of London conferred on him the Freedom of the City.[1]

[1] Humour being always allowed full play in the English Parliament, Mr. Winston Churchill said in the House (Dec. 24, 1929) that the municipal authorities (recruited from the princes of finance and commerce) had hastened to confer on Mr. Snowden the Freedom of the City, anticipating that he would soon leave them nothing else to give.

CHAPTER IV

OBSTACLES IN MR. SNOWDEN'S PATH—REASONS FOR HIS SUCCESS

NOWADAYS it is not unusual for the son of a poor working man to rise to the highest honours; nevertheless, a very humble origin does constitute an obstacle to a political career. Sickness is another one more serious still, for political life as it is carried on to-day demands—especially from those obliged to earn their own living—intense activity.

In Mr. Snowden's case, the obstacle of sickness was the greater in that, to my mind at least, his poor state of health has been responsible for one of the traits which has done him the most harm; I refer to the bitterness of his retorts. He well deserves the reputation of possessing " the sweetest smile and the bitterest tongue in the House of Commons/' The adjectives[1] he employed to describe the interpretation given to a clause by the Minister of a Great Power caused a universal sensation. And though it is true that the words have not the same significance in English as in French,[2] it cannot be denied

[1] **Ridiculous and grotesque.**

*** During the aforementioned debates on Dec. 24, 1929, Mr. Churchill applied to Snowden the epithet "crapulous"; it is obvious that in French this term would have been far from Parliamentary.**

that from the wide vocabulary of his mother tongue * he could have chosen more moderate epithets. But the terms he employed at the Hague seem diplomatic by the side of those he makes use of against his British opponents, no matter how distinguished. The candidature of Lord Robert Cecil, his opponent in the January 1910 election, was termed " dishonest";[2] more recently still (Dec. 24, 1929), a speech of Mr. Winston Churchill, more remarkable for its wit than for its moderation, was described in his own hearing as being very opportune, since it coincided with the opening of the pantomime season, and he also heard himself accused of being " an abyss of ignorance " in financial matters.

These sallies are surprising in a man who, on the one hand is naturally courteous, and on the other, having a wide knowledge of English Parliamentary history, knows that his compatriots prefer pin-prick rather than battering-ram methods, and that Front Bench politicians have often been handicapped in their careers by undue violence of language.[3] Although convinced of his own sincerity,[4] Snowden

[1] Even the dictionary of the ultra-purist Dr, Johnson (published in the eighteenth century) contained 37,700 words as compared with the 28,000 in the dictionary of the Acad^mie Francaise.

[2] Cf. " Ephesian," p. 151.

[3] The best known example of this is that of the great Lord Derby, three times Prime Minister between 1850 and 1857, but each time for a very short period.

The late T. P. O'Connor, whose political chronicles form an invaluable document on the history of the Parliament in which he sat for fifty years, never ceased to declare that Gladstone was at his most formidable when his language was moderate.

[4] He himself has said ; " I hit hard, but I fight fair."

must by now have realised that he has introduced debating methods which do not make his ministerial task easier, since they are beginning to be only too freely imitated by his opponents,[1] while even in the Socialist ranks there are many who have not forgotten his stinging sarcasms.

But now that he has reached the top of the tree why does he not put a damper on his violence ? It is surely because—and here I come back to where I started—people whose health has been undermined by a long illness give themselves away more quickly than others—" discharge the revolver of frankness upon their opponents." I have come to this conclusion after observing that in his prepared speeches, though Mr. Snowden is sometimes caustic when principles are in question, he is never unkind; on occasion, he even slips in a friendly word. It is in his unprepared replies that one finds the ironical, wounding expressions which have done him so much harm.

But the fact remains that in addition to the handicaps of poverty and ill-health, Mr. Snowden possesses the faculty of making enemies for himself. How has he managed to surmount all these obstacles? He has done it chiefly thanks to :

[1] Cf. the debate on March 4, 1930, in which Mr. Churchill spoke of his spiteful contumely, of his arrogance and impertinence, and which finally ended in an indescribable uproar. Its effect on public opinion was shown in an article in *The Times* of March 6, in which the financial leaders were rebuked in a tone generally reserved for the censure of foreign politicians. The most moderate thing said to them was that they would do well in the future to refrain from substituting epithets for arguments. This homily bore little fruit. The debates on the Budget gave rise to fresh incidents.

(a) *A Will of Iron.*—What has been said about his life during the years 1891-95 is sufficient evidence of this. Any other but he, after such a terrible accident, would have had no thought but to secure some little sinecure which would enable him to end his days in peace. He made up his mind to govern his country. He finished his education on his sick-bed. As soon as he was able to get up he had himself carried to public meetings, and as soon as he could move a little by himself he took up the hard life of an itinerant apostle. It may be imagined what that meant to a semi-crippled man, whose greatly reduced means forbade the trifling expenditure which would make these constant changes from place to place less painful.

(b) *An Exceptional Capacity for Work.*—It is generally agreed that the authority he enjoyed over his opponents and over some of the Labour Party, who were still more difficult to win over, was due to the fact that his speeches, even the extempore ones, are always full of facts and figures. As he himself has said, " he doesn't turn on the tap until the vessel is brimful." But no receptacle is filled without hard work, and the barrel bearing the label " Political Economy" demands especially heavy toil. On its theoretical side, the system is dry and difficult for the self-taught. On its practical side—what in some countries is called Applied Economics —it embraces so many branches of knowledge, it treats of phenomena so complex and so changing that the study of it is equally discouraging. To look

through Snowden's speeches or books [x] is to see that he has acquired equal mastery over both branches of economic science, and when we consider that while giving himself up to study in order to obtain such Varied and exact knowledge, he had at the same time to engage actively in politics and to earn his own living, we gain some idea of the amount of work of which he is capable. Certainly nothing distracts his attention from the work in hand, not even a love marriage. He did, in fact, combine a lecture tour with his honeymoon, and addressed voters even on his wedding day.

(c) *The Sincerity of his Convictions and his Matter-of-fact Mind.*—These qualities, desirable in all parties, are so particularly in the Left Wing Party, always a prey to the ambitious and to visionaries. An old proletarian in Paris said to me one day with Parisian expressiveness, that the workers had had enough of " ' upstarts ' who attack big companies and then become their champions, who denounce capitalists and then marry their daughters, and who, when reproached for driving about in cars and patronising expensive restaurants, reply that because they are Socialists there is no reason why they should be ascetics."

But the hard-working classes have ended by growing tired too of those people who, though sincere, promise them, in flowery speeches, Paradise next

[1] **Here are the titles of the chief among them : *The Socialist Budget, Socialism and Syndicalism, Socialism and the Drink Question, Labour and Finance, Labour and the New World,* (This last was published on the eve of the 1922 election.)**

week and in the meantime run them into risky adventures—in other words, of dreamers of the 1848 School.

Snowden inspires one with the conviction that he did not become a Socialist as the quickest way to get into Parliament and the Cabinet. He has twice sacrificed the hope of being elected to his pacifist opinions. His private life, of an exemplary morality, is on a par with his public life. He has always worked hard for his living. On the other hand, although the ardour of his convictions and of his religious feeling might have carried him away into apocalyptic dreams, he has never got out of his depth. He pursues reforms step by step, and calls only for those that are practicable. He has explained, moreover, that he does not believe in direct revolutionary action, since a social revolution can succeed only if it is the culminating point of a series of evolutionary processes aided by the use of political means; and that an effective Labour Government should aim at this.[1]

His practical turn of mind has also enabled him to extract from the Socialist doctrine just what British legislation could accept, and to present it in such a way that the intelligence of his fellow-countrymen could grasp it. As a clever journalist[2] quaintly remarked: "He has taught Socialism to speak English."[3] This matter-of-fact nature, together

[1] **In a speech at Paisley during the election of October 1924; cf.," Ephesian," p. 211.**

[2] **Mr. Herbert Sidebotham.**

[3] **" The old Labour Party, he added, were taught to speak Marxism; then Keir Hardie taught them to speak Scots."**

with his sincerity, explains why, unlike so many Labour leaders, he has not hesitated to point out the danger of strikes, to maintain that, like wars, they turn out to be disastrous to both sides and that arbitration is as necessary in social conflicts as in political conflicts.

Strikes being only too often the slogan of Labour leaders, this example is to the point, but it is easy to cite others. One such is the courage with which he defended the Bank of England when, on the 26th of September last, it raised the Bank rate to 6-5 per cent., and another is " the tenacity with which he has fought the election out-bidding methods of his political colleagues."[1]

Certainly his courage must have its drawbacks for him at times. His attitude during the General Strike of 1926 caused him to be attacked on all sides. More recently, his rupture with the Independent Labour Party, whose programme of Direct Action, and of " Socialism in Our Time,"[2] he could not approve must have been for him in every way a painful sacrifice, seeing that he had belonged to it since the beginning of his career and that it numbered among its members many of his own constituents.

But what he said at the 1922 election with reference to his attitude during the War, namely, that he did not regret it, since in the long run one always gained by stating one's opinion openly, applies also

[1] **Augustin Leger,** ***Revue de France,*** **December 1, 1929, p. 540.**

[2] **Leger,** ***loc. cit.***

to the frankness with which he opposed excesses in social struggles. More so, perhaps, for here subsequent events have nearly always proved him to be right. This is a statement requiring further elucidation, which I will give in my conclusion.

PART II

MR. SNOWDEN'S FINANCIAL POLICY

IF I were writing an exhaustive work and not an essay, it would be necessary to develop all the ideas which Mr. Snowden has, since 1895, originated or sought to apply. Here I must select. I shall confine myself to the essential stages of his career as a financier, and examine *(a)* his scheme of fiscal reform in 1908, which affected the principal forms of direct taxation; *(b)* his campaign in favour of a capital levy, which was the main issue during the years immediately following the War; *(c)* his 1924 Budget; *(d)* his policy at the Hague Conference; *(e)* the 1930 Budget. It may occasion some surprise that no chapter is given up to expenditure on Social Services, since it is generally in this direction that a Socialist Minister influences his country's finances. But in England the Liberals and Conservatives had left him little to do in this quarter; so the question is of secondary importance here. An appendix will give an adequate account of it. A second appendix will be devoted to a matter, indirectly connected with finance, to which Snowden has given himself up body and soul: the Anti-Drink Campaign.

It is impossible to explain the financial work

of a politician without saying something about the financial system of his country; without, in the present case, speaking of the fiscal legislation in force in England in 1906, and of the changes which have since been made in it. So this essay on Mr. Snowden's financial policy is in some sort an essay on the reorganisation of the system of British taxation. The author has not sought to give it this character, made necessary by force of circumstances, but, as he is not writing only for English readers, he does not regret having done so.

Since 1894, and especially since 1910, English public finance has undergone immense changes. A fiscal system in which real proportionate taxation at a moderate rate reigned supreme, in which there was an equal balance between direct and indirect taxation, with a bias rather in favour of the former, has been replaced gradually and sometimes surreptitiously by one with a steeply graduated Income Tax, in which direct taxation is paramount. In the matter of expenditure the change is not less radical; the 1906 Budget was still in keeping with the idea of the State as a watch-dog; that of 1929 *(introduced by a Conservative Government)* reflects clear[1] y the idea of the State as a provider, and bears the stamp of pulpit Socialism, if not of out-and-out Socialism. This is more than a reformat is a semi-revolution. Or rather it is a typically English revolution, accomplished gradually, and in the end with the collaboration of the victims, who, returning to power, adopt a programme formerly detested. They seem to have made up their mind to it so

successfully, that the one most to be pitied in the matter finally is the foreigner who, interested in financial questions, has neither the time nor the opportunity * to wade through the different Budgets which have brought about the change.[2] It occurred to me that such a one might be glad to have a brief yet concise account of how the change has come about and to get an idea of the reforms which may be expected in the near future.

[1] Especially if he does not understand English.

[2] The English fiscal system had already undergone transformation by Sir Robert Peel. But at the time, the two chief innovations of the 1841 Government, Free Trade and Income Tax, were easily comprehended by contemporaries, for they were realised, so to speak, simultaneously.

CHAPTER I

THE YEARS BEFORE THE WAR—REFORM OF DIRECT TAXATION

FROM 1908 onwards the political atmosphere was highly explosive. The House of Lords was becoming more aggressive every day; the Government on its side was becoming more and more radical. Asquith had taken the place of Campbell-Bannerman as Prime Minister, and had himself been replaced as Chancellor of the Exchequer by Lloyd George. A " People's Budget " and a General Election could be forecast. The Cabinet had therefore to make sure of the support of the Labour Party, which was thus able to impose its own ideas on them to a greater extent than heretofore. It was in these circumstances that Mr. Snowden thought himself entitled to suggest to the Chancellor of the Exchequer an entire fiscal programme.[1] This comprised: *(a)* a super-tax on large incomes; *(b)* a special tax on industrial monopolies; *(c)* an increase in the Estate Duty; *(d)* a Tax on Land Values.

With the exception of the industrial monopolies, all these proposals were adopted. Owing partly to the War, Income Tax and Estate Duty rose gradually to a level that even the extremists would

[1] **Cf. his pamphlet,** ***A Few Hints to Lloyd George,***

have hesitated to propose; on the other hand, the tax on Land Values, on which so many hopes were founded in 1909, and which, from the point of view of doctrine, was the newest and most radical of the reforms accomplished, was to fizzle out miserably after being applied for a few years. I will devote several pages to each of these points; they will suffice to throw some light on the changes which have taken place in direct taxation in England.[1]

(a) Income Tax Reforms.—At the end of the nineteenth century, Income Tax had not lost its fourfold character as an objective, analytical, proportional and moderately rated tax.[2] After 1894, efforts

[1] **The bibliography of what follows is too full to be recorded in an essay like this. It is a pity that since the War there has appeared no English manual on the science of theoretical and practical finance like the *Public Finance* by Professor Bastable, first published in 1892 (Prof. A. C. Pigou's notable work, *A Study on Public Finance*, Cambridge, 1927, is purely theoretical).**

The publications of Dr. Hugh Dalton, *Principles of Public Finance* (London, 1923), Mr. M. E. Robinson, *Public Finance* (London, 1923), and Mr. G. F. Shirras, *The Science of Public Finance* (London, 1924), are summaries intended for students. They are, nevertheless, very useful, and the last mentioned, which is fairly full, contains a great deal of information about India and the Overseas Possessions. They ought, therefore, to be read, and with them should be consulted not only the four essays published by Sir Josiah Stamp between 1921 and 1924, but also those by Mr. Henry Higgs, especially *Financial Reform* (London, 1924), and Mr. M. R. Jones's *Taxation Yesterday and To-morrow.*

Sir Bernard Mallet's classic works on the English Budgets since 1887 are too well known to require mention. But it is perhaps worth noting that the important volume by F. W. Hirst and J. E. Allen, *British War Budgets* (in the Carnegie Publications, London, 1926), goes down as far as 1924 and therefore takes in the post-war period.

[1] **During the nineteenth century this exceeded 4 per cent., and that by very little, only in exceptional circumstances; generally it was well below this level.**

were confined to relieving the middle and lower classes by exempting from declaration incomes under £160 and by granting abatements to those under £700. The Boer War had, it is true, raised the rate to is. 3^. in the £ (6.25 per cent.), but it was expected that with a prolonged peace there would be a return, if not to the minimum rate of 1874,[1] at least to that just before the War, which was less than 3 per cent.

However, after the downfall of the Conservatives in 1906, legislative reform seemed to be inevitable. Mr. Asquith, the new Chancellor of the Exchequer, appointed a select committee for this purpose. It was a sign of the times that Sir Charles Dilke, chief of the Radical Socialists,[2] was its chairman, and that the Socialists' leader, Keir Hardie, was one of its members. The report submitted by this committee advocated : *(a)* the differentiation between earned and unearned incomes; *(b)* the introduction of a Super-tax on large incomes.

The first of these reforms violated one of Gladstone's most cherished principles[3] and was tantamount to the abandonment of the objective character of Income Tax. But,[4] being as much a

[1] 2s. in the £ (0.83 per cent.).

[2] He did not, however, accept unreservedly the committee's two findings; cf. on this point Gertrude Tuckwell, *7 he Life of Sir Charles Dilke* (2 vols., London, 1917), Vol. I I. pp. 472-74.

[3] Gladstone held that a distinction between incomes was dangerous and unscientific, since capital in itself should be taxed, and is so, as a matter of fact, by the death duties; cf. my study on *Gladstone as a Financier* (in Greek, Athens, 1910), pp. 40-41.

* According to Asquith's Budget speech, May 7, 1908.

moral question as a financial one, it was too much part and parcel of the ideas of the time to be rejected. It became law first of all in a modified form[1] (with the Budget of 1907-8). But soon Lloyd George widened its practical scope by taking into account the number of children.[2] Since then, the principle of differentiation, whether applied to the source of income or to dependents, has ceased to arouse any objection and is included with the reliefs allowed in respect of small incomes.[8]

The second reform advocated could not be so easily passed. The Super-tax, a synthetic graded tax, not only amounted to a negation of the principles hitherto established, but it allowed Income Tax to be used as a weapon against the wealthy classes. That is why the Left Wing were so insistent on it and why the Government adopted it only when the Lords imprudently declared war on it. Included in the 1910 Budget, it imposed at first an additional tax of *2½* per cent, only on incomes over £5000, but it was almost immediately extended

[1] Asquith reduced it from is. to *qd.* (25 per cent.), the ordinary rate for earned incomes under £2000.

[2] Lloyd George increased the ordinary rate to 15. 3d.; agreed to reductions in respect of the children of people with small incomes, and allowed a distinction to be made between the incomes of husband and wife. All this without prejudice to the Super-tax, to which reference will be made later on.

• The reorganisation of Income Tax in 1920 perpetuated it. After the additional changes in 1925, one-sixth part of income was exempted from taxation in cases of earned incomes up to £250. The same exemption of one-sixth applied to persons over sixty-five with an income of less than £500. The allowance for children was increased. Finally, and independently of **all** this, the rate on the first portion of taxable income (£250) was **reduced by half. It will be** seen **later** how the **1930 Budget has moved still further forward in this direction.**

to those over £3000, while it reached a maximum rate of 6*66 per cent.[1]

Nevertheless, on the eve of the War, the maximum that.a wealthy Englishman could pay did not exceed much more than 12 per cent, of his income. From 1917 to 1922 it was 59 per cent.; and again, in 1929-30, it was not much lower than 50 per cent. So, under a Conservative Government and in normal times, the Treasury could deduct up to the half of a man's income. This will show the distance covered since 1906. With the 1930 Budget there is a tendency to return to war-time rates.

The Super-tax (now Sur-tax) will also eventually enable all increases in Income Tax to be thrown on the well-to-do classes. One may expect that the range of incomes subject to it will be widened and that sooner or later it will be extended to incomes above £2000[2] or even £1000; it is not outside the bounds of possibility that in a few years it may go further still.[3]

In the same way, the exemption of medium earned incomes is being prepared by increasing the relief granted in respect of each child.[4] Since

[1] In July 1914 it varied between 2-92 per cent, (on incomes between £3000 and £4000) and 6.66 per cent, (on incomes of **£8000).**

[2] This was done from 1920 to 1924.

[3] Already in 1927, the Labour Party Conference at Blackpool—to which reference will be made later—did not hide its intention of solving the financial problem with the 70-80 millions which could be extracted by extending the Super-tax to 250,000 new capitalists guilty of possessing a fortune of more than £5000.

[4] Raised from £36 for the first child and from £27 for each of **the others** to £60 and ^50 respectively.

the 1928 Budget every "earned" income up to £450 is exempt from taxation if the wage-earner has a wife and three children.

All this goes to show that the study of Direct Taxation in England (cf. what is said further on about the Estate Duty) reveals a development similar to that to be observed in several of the countries on the Continent or Overseas.[1] In the beginning progressive taxation is directed only against "huge fortunes/' then it affects "mere millionaires/' and finally it is extended to the well-to-do classes. Lloyd George took the first step before the War. Snowden has not yet quite accomplished the second. But one can foresee that the Labour Party, either through him or someone else, will not be long in doing so, especially as it does not number among its following that section of the well-to-do middle class which followed Liberalism in its evolution towards Radicalism.

Already, partly owing to the decline in the purchasing power of money, the number of Super-tax payers has risen from 14,000 (1913) to 98,000 (1927). The number of people paying Income Tax remains high, though the principle of universality in the tax is not fully realised.[2]

[1] **Chiefly in the British Dominions.**

[8] **Sir Bernard Mallet, *British Budgets*, p. 435, calculated that the 1,100,000 people subject to Income Tax in 1913 represented with their families 5 million persons; in other words, one-eighth of the population.**

Prof. Haensel *(Handbuch d. Finanzwissenschaft,* Gerlorf and Meisel, Vol. III. p. 88) estimates the number of taxpayers at 5,250,000 for 1926-7. In the *Sunday Times* of March 16, 1930, Mr. Harold Cox complains that the number of Income Tax-payers has been steadily reduced to 2,150,000, while that of the

(b) *The Estate Duty.*—Here, again, Snowden's suggestions were accepted up to a point beyond his hopes. We know that up to 1894 there were only light duties varying according to the degree of relationship (1-10 per cent.). Sir William Harcourt, while retaining this Inheritance Duty, introduced a tax to be levied on the whole of the estate. This was the Estate Duty, on which the member for Blackburn demanded there should be an increase.

It was not long delayed. Mr. Asquith (as early as 1907-8) attacked estates over £150,000, and raised the maximum, originally 8 per cent., to 15 per cent. In 1909, Lloyd George struck at estates over £50,000 and applied the maximum, hitherto reserved for estates over £3,000,000, to those over £1,000,000. During the War the latter had to pay 20 per cent. But it was the Tory Party, which had in 1894 denounced this duty as organised pillage and the masked application of Socialism, who were to give it a definitely progressive character. They raised its maxima to heights which might well have been termed extortionate, since they have gone as high as 40 per cent.[1]

voters has been raised to 28,850,000; so that only one voter in twelve pays the tax. This question will be referred to again in connection with the last Budget.

[1] After Mr. Winston Churchill's reform (1925) the rates were as follows:

On estates over £3,000,000	**40%**
„ „ 1,000,000	**30**
„ „ 200,000	**23**
„ „ 100,000	**19**
„ „ 20,000	**8**

The rate has been raised even on estates over £40,000, although in a lesser proportion than on the others; and the progressive principle is extended to those over £20,000.

To compensate for this, the Conservatives reduced Income Tax by 10 per cent. This shows that Capital, called upon like the traditional rabbit to choose which way it will be finished off, prefers one good operation performed at the psychological moment to the bother of annual bleedings. It will be seen presently that Mr. Snowden now applies the two methods concurrently.

It remains for us to examine the point on which events have not justified the Snowden programme.

(c) *The Tax on Land Values.*[1]—The law authorising it decreed four parallel taxes,[2] and was passed in April 1910. Theoretically, of the four reforms advocated, this was the one to which Snowden and his School must have attached the greatest importance.[8] Its promoter, Lloyd George, announced that it had especially a social aim : " to destroy the stupid, selfish monopoly of landed property." Nevertheless, ten years later, the same statesman, in the meantime become Prime Minister, was persuaded to repeal it. Events showed indeed : *(a)* that it

[1] Owing partly to the grave constitutional conflict of which it was one of the prime causes, a great deal has been written about it, even abroad. The French bibliography is to be found at the end of M. Jean Lambrino's thesis *L'Application et l'lichee de Ia Loi Anglaise sur les Plus Values Fonctdres* (Paris, **1920).**

[2] (i) The Increment Value Duty, a tax on so-called net increment values; (ii) the Reversion Duty, a tax on the profit that the lessor realises when he takes over again the land which has been let; (iii) the Undeveloped Land Duty, a tax on land semi-developed or not developed at all; (iv) the Mineral Rights Duty, a tax on mining rights (dues, royalties, etc.). This last alone survived.

[8] That is why they have brought up the question again to-day. Cf. further on—Chap. V.

yielded much less than one would have thought;[x] *(b)* that it cost the Treasury more than it brought in;[2] *(c)* that it was vexatious, involving individuals, as it did, in considerable additional expenditure,[3] giving rise to disputes and lawsuits at every turn, and that it was, moreover, uneconomic in the highest degree, since it hindered real estate transactions. Its most obvious result was to show that landed property, and urban property in particular,[4] was much more parcelled out than was generally believed. This is easily understood if one considers the development of the building trade and the continued improvement in the circumstances of the middle classes.

In spite of all this, there is little doubt but that the Labour Party will try to revive it, but on new lines, while seeking at the same time to avoid the political obstacles.

[1] The Budgets of 1910 to 1914 estimated it at £1,390,000. In reality, during these four years only £612,787 were paid in.

[2] It was thought at first that 2015 officials would be enough. In August 1914, 4880 were employed. From August 1910 to September 1915, £2,230,392 were paid out in salaries. The receipts from 1910 to 1919 did not exceed £1,181,691.

*** Especially when, as was often the case, people wished to dispute official assessments. In this respect the law broke the fourth of Adam Smith's rules which declared that sums disbursed to individuals should not be much higher than those paid into the Treasury.**

*** It has already been noted in Part I that outside the towns the concentration of property was still very great. At the outset of his career, Snowden maintained that half the land belonged to 800 persons, and two-thirds of it to 10,000. Even here progress has been made.**

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CHAPTER II

THE WAR AND AFTER—THE CAPITAL LEVY[1]

THE Capital Levy figured on the election programme drawn up by the Labour Party on November 13, 1918, on the eve of the first General Election after the War. It was, as has been said, their main issue during the 1922 and 1923 elections. Several in the Party, chief among them Dr. Hugh Dalton,[2] defended it energetically, and their leader set a similar example.[3]

Mr. Snowden was more enthusiastic than anyone. The proposed reform corresponded exactly with the views he had upheld throughout the War:[4] viz. *(a)* that loans should be avoided, since they are in

[1] The English bibliography on this subject is very full; almost the whole of it can be found in Prof. B. S. Chlepner's book, *Le PriUvement sur le Capital dans Ia TMorie et Ia Pratique* (Brussels, 1925), p. 28. I will refer later on *to* the essential works. I may be permitted here to mention as a tribute to the memory of an honoured teacher, Prof. Edgeworth's study, *Levy on Capital for the Discharge of Debt* (1919)-

[2] Now Under-Secretary for Foreign Affairs, then lecturer at the London University. He has published on this a little book which has been widely read, *The Capital Levy Explained.* A summary of his arguments is to be found at the end of his *Principles of Public Finance* (London, 1923), pp. 303-6.

[3] Mr. Ramsay MacDonald gave to it several pages in the book in which he outlined his programme : *A Policy for **the** Labour Party* (London, 1920), pp. 151 seqq.

[4] See the Budget debates (May **1915**, **September of the same** year, May 1917, April 1918).

reality **a** tax on the working classes,[1] and their payment constitutes an enormous burden during post-war years, always a period of economic stagnation and low salaries; *(b)* that the cost of the War should be defrayed by means of taxation. As early as 1915 he was not afraid to propose that the rate of Income Tax should be raised to 75 per cent., and in September of the same year he maintained that from a levy on fortunes of over £1000 not less than £500,000,000 could be obtained. The defence of a Capital Levy forms an important part of his speech on the sixth War Budget (1918).

The arguments which Snowden and his friends unfolded during the hostilities, and, more systematically, after the Armistice may be summed up as follows :

The sole aim of the reform was the reduction of the enormous war debt. The annual burden which this entailed lay like a crushing weight on the whole country; it meant a high cost of living and, what was worse, unemployment. Was it not better for the capitalist class to sacrifice once and for all a part of their capital than to see the use to which it might be put paralysed for half a century by high taxation ?[2] Besides, capital is subject to the Estate Duty. This was paid on the estates of all capitalists who died at the Front. Let those who survived or

[1] He took J. S. Mill as his authority. Sir T. P. Whitaker replied that the great economist believed at that time in the Wage Fund Theory, which had since been proved unsound.

[2] In 1918 Snowden said : " It is better to reduce the debt at one blow than to raise Income Tax from 30 to 50 **per** cent, **for thirty or forty years.**

who remained quietly at home imagine themselves dead for a moment. Their immediate resurrection is a consolation denied to those who died for their country.[1]

Moreover, while the ex-soldiers were up against enormous difficulties in their desperate struggles to obtain work, those who had never seen the Front and had grown rich during the War at home were able to enjoy in peace their immense profits. Further, and this argument carried much weight, as prices fell,[2] the value of the War Loans automatically rose, since the pounds they stood for had an infinitely higher purchasing power than when they had been lent to the nation.[3] The steady rise in Government Stock represented another profit acquired without effort.

All these arguments lost strength as years went by and as the original subscribers sold their bonds to other holders. At the same time, experiments made on the Continent showed that statements of capital, a necessary preliminary to the Levy, are more difficult to obtain in modern countries than they were in the small States of classical times or the Middle Ages.[4] In the matter of out-of-the-way profits, some satisfaction had already been obtained by the continuance of the Excess Profits

[1] **In 1918 also Mr. Snowden maintained that all the arguments employed against the Capital Levy had been used in 1894 against the Estate Duty.**

[2] **And, as will be seen, they fell very quickly.**

[3] **Cf. in Chap. V the statistics brought forward during the discussion of the Budget of 1930-31.**

[4] *** For the development of this idea, may I refer to my *Histoire des Finances Grecques*, Vol. I (Athens, 1928), pp. 433-35.**

Duty and by the raising of its rate in 1920 to 60 per cent.[1] Finally, the success of the Labour Party at the December 1923 election was not considerable enough to justify Mr. Snowden, now Chancellor of the Exchequer, in including an unaccustomed tax in his Budget. On the eve of its introduction a vote of the House robbed him of any idea of suggesting it even in principle.[2]

The truth is that the Capital Levy is a weapon in the arsenal of war or post-war finance.[3] In peace-time even the Labour Party hesitate to employ it, but that does not mean that they abandon the idea of throwing on the capitalists a part of the burden of the National Debt.

At the Labour Party Conference at Blackpool at the beginning of October 1927,[4] much anxiety was shown at the fact that the redemption of the Debt alone would absorb one way or another, nearly £100,000,000, and that this would prevent the repeal of the Food Taxes and the development of the Social Services.

The idea was then put forward that the Estate

[1] **This Excess Profits Duty had been reduced in 1919 from 80 to 40 per cent.**

[2] **On April 2, 1924, an amendment to this effect by Mr. F. W. Pethick-Lawrenoe, author of *A Levy on Capital,* was thrown out by 352 votes to 180. The Government took part in the discussion, their mouthpiece, the Deputy Leader, Mr. Clynes, making a rather guarded speech.**

[3] **That is why Bonar Law, who in 1922 looked upon it as a wild idea, did not refuse to discuss the question in 1917 when Chancellor of the Exchequer (cf. for details Chlepner, pp. 79-80), and why in an open discussion in the official organ of the *Royal Economic Society,* so expert an economist as Prof. Pigou broke a lance in its favour. Pigou returned to the charge in 1920 : cf. *A Capital Levy and a Levy on War Wealth* (Oxford Univ. Press).**

« **Cf. *The Times* of October 7.**

Duty should be raised, and especially that the Super-tax should be extended to incomes derived from all capital over £5000. As we saw, it was hoped on this head alone that from 250,000 tax-payers there could be extracted 70-80 millions a year. Now it was precisely to fortunes above £5000 that, according to the old programme of the party, the Capital Levy was to apply. * Mr. Snowden did not reject the idea of extending the Super-tax, but, true to his principles, he demanded that it should be employed purely and simply for the redemption of the Debt.[2]

In his 1930 Budget he consoles himself for not being able to propose a Capital Levy by increasing the Estate Duty.[3]

[1] **Its rate, moreover, was not to exceed 5-8 per cent, on small fortunes; on those over £1,000,000 it reached its maximum—65 per cent.**

[2] **Cf. Leger, *Revue de France,* p. 533. Mr. Snowden was not present at the Conference, but he took an opportunity, in a speech he delivered shortly afterwards, of expressing his opinion.**

*** Cf. further on in Chap. V.**

CHAPTER III

THE 1924 BUDGET

(a) *Flourishing Condition of English Finance: Measures taken since* 1920.—It must be admitted that Mr. Snowden found English finance in an excellent state. The National Debt had been reduced by £400,000,000.[x] All the foreign war debts had been completely discharged,[2] with the exception of that owed to the United States, about which an arrangement had been made. And although this, concluded with what may be considered undue haste,[3] was beginning to weigh very heavily, since the burden of it was not yet counterbalanced by the yearly payments of the Allied

[1] **This result had been obtained by *(a)* the establishment immediately after the War of a considerable Sinking Fund; *(b)* by the redemption of pledges by the whole of the surplus. In other words, there had been a return to the methods which had had such good results after the Crimean and Boer Wars.**

*** Most of them had been contracted in neutral countries or in the Colonies. Some concerned Allies. For instance, the last period of the campaign on the Macedonian Front was financed by the National Bank of Greece, which advanced 116,946,333 gold francs to the British army and 266,964,965 gold francs to the French army; it may be mentioned, by the way, that this last sum has never been repaid.**

[8] **The European ex-Allies would obviously have been well advised to come to an agreement between themselves and present a united front to the Treasury at Washington. England herself recognises that such an understanding was desirable, but considers that for a number of reasons, into whose details we need not enter now, it was at that time impossible to realise it.**

debtors,[1] the balancing of the Budget was more than assured. In 1922-3 the surplus, as a matter of fact, amounted to 100 millions, and notwithstanding generous reliefs granted to the taxpayer,[2] a surplus of nearly 50 millions was expected in I924~5.

This magnificent result was due to three causes :

(1) The increase in taxation. Such enormous taxes had been laid on all classes of society during the War[3] that with the conclusion of peace everybody looked forward to an improvement in his lot. Mr.—now Sir—Austen Chamberlain, then Chancellor of the Exchequer, did not, however, hesitate to demand in 1919 the imposition of a series of new taxes : an increase in Super-tax, Stamp Duties and Postal Rates; the introduction of the Corporation Profits Tax (a special tax on limited companies); the raising of the Excess Profits Tax to 60 per cent.

(2) Lacking similar courage, his Continental colleagues were reduced to the worst of expedients, floating debt in its two forms : Inflated Currency and Treasury Bonds. Here, on the contrary, the Floating Debt had been steadily reduced[4] from

[1] **The total of the British debt was fixed at 4,600,000,900 dollars, payable in sixty-two years. The yearly payments were at first to be fairly low; nevertheless, Great Britain had already paid 160 million dollars between 1922 and 1925. For Allied debts due to England see the next chapter.**

[a] **The most important reductions were made in Income Tax (£26,000,000) and in beer (£16,600,000). The total amount of the reductions was estimated at 47 millions.**

[3] **For details see the numerous studies—particularly those of Prof. G. Jeze—on English war finance. A work of my own on this subject has been published in Greek.**

[4] **Its total was; 1408 millions in 1920, 1259 in 1921, 941 in 1922.**

£1,570,000,000 to £755,000,000, May 1924. Thus the canker afflicting Continental finance was avoided. While elsewhere exchange and prices were going anyhow, in England the pound rose from 3*48 dollars (1920) to 4-65 dollars in 1922,[1] and the index-number of 310 in 1920 returned to 171 in I923-[2]

(3) The decrease in National expenditure. This followed the downward curve as follows :

1919-20	£1618 millions
1920-21	1312 , ,
1921-22	.975
1922-23	910
1923-24	818
1924-25	.790

This result is all the more remarkable since the interest on the National Debt had increased by *£40* millions,[3] and the terrible Unemployment crisis had already led the Government into the practice of granting doles, which constitutes at the present time the black spot in British finance. It is accounted for partly by a resolutely pacific policy and by the fall of prices which was itself due to the wisdom shown in the administration of the Floating Debt. But the credit for it is chiefly due to public opinion, clearly shown in the attitude of the Press and the results of by-elections; that is what forced

[1] Par (4.81) was reached a little later, and soon it was possible to return to the gold standard.

[2] It has since followed a downward curve: 166 (1924), 140 (1928), 132 (1929). In February 1930 it was at 121, in April at 117.

[3] Due to payments to the United States and to the policy of systematic settlement of debts.

the hand of a stubborn Parliament and a still more stubborn bureaucracy.[1]

(b) *Dangers of the Situation.*—If a surplus is a blessing to a country, it constitutes a danger for the country's Finance Minister,[2] who finds himself attacked both by taxpayers demanding a reduction in taxation, and by voters, supported by the bureaucracy, demanding increases in expenditure.

The peril for Mr. Snowden was all the greater since a dissolution was evidently imminent. There was a great temptation, therefore, to make a new " People's Budget " a plank in the election platform.

[1] **The Government's appeals to members at first met with so little response that Mr. Chamberlain was obliged publicly to censure the Commons' taste for useless expenditure (cf. his speech on Jan. 29, 1919). His memoranda had very little more success; the Government offices succeeded at first in convincing the Cabinet that a reduction of only £22 million was possible (Chamberlain's speech of Oct. 19, 1919), and when the Geddes Committee published its famous report, they did not hesitate to discuss its conclusions through the medium of the Press (see on the Geddes Report an excellent article by Mr. H. Higgs in the *Economic Journal* of June 1923).**

However, when the voters signified that they had had enough of it, both the House of Commons and Government offices alike discovered that the extra-Parliamentary Commission had shown itself to be insufficiently parsimonious. Whereas the committee had recommended a cut of 100 millions, one of 185 was realised (the expenditure was brought down in three years from 975 to 790 millions). This was done less by a reduction of grants than by their non-employment. Thus in 1922-3, whereas a surplus 01 87 millions was expected, it reached 100; for, apart from the increase in the yield of taxation, the Military and Civil Services, which accounted for grants to the value of 540 millions, appropriated only 459 (in these figures the irreducible item of the National Debt is, of course, not included). In 1923-4, grants to the value of 436 millions were allotted; 405*8 were spent.

• This truth has become a commonplace owing perhaps to the picturesque similes which Gladstone found to express it. Sometimes he envied Juvenal's empty-handed traveller who laughed at thieves *(cantabtt vacuus coram latronem viator),* and sometimes the Scotsman who is not afraid of losing his trousers for the good reason that he doesn't wear any.

All the more so since unemployment was raging worse than ever, and previous Governments had already embarked on the granting of doles. It was, therefore, very easy to justify a heavy increase in " expenditure on Social Services."

Fiscal reductions on a large scale appeared more justifiable still. According to generally acknowledged calculations,[1] the national revenue was about £3800 millions, and taking into consideration the rise in prices, this represented a purchasing power hardly equal (even rather inferior) to that of the national revenue in 1913, which was £2400 millions. Now whereas the State then demanded only 244 millions from the taxpayer,[2] in 1924 it took from him 860; [3] that is, a quarter instead of a tenth.

A demagogic Minister, to be sure, could go a long way in this direction and claim " to relieve everybody at nobody's expense." [4] Having at his disposal a surplus of nearly 50 millions, he could also contemplate cutting down the Sinking Fund, which amounted to not less than 40 millions. From the financial point of view, all sorts of considerations could have been invoked in favour of such a step.[5]

[1] Cf. Hirst and Allen, p. 490.
[2] Of which 79 went to local taxation accounts.
[3] Of which 160 was in the form of local rates.
[4] Disraeli was accused of wanting to do this when in 1852 he became Chancellor of the Exchequer for the first time. Indeed, it was not the will that was lacking in the British Mazarin but the means; these Snowden had. A resume" of the 1852 Budget is to be found in my book, already mentioned, on Gladstone as a financier, pp. ii-i3» All the necessary details have since been given in the admirable biography of Disraeli in six volumes by Monypenny and Buckle (London, 1910-20), Vol. I I I. Ch. X I I.

* They already had been by Conservative members in the course of the two previous years; cf. Hirst and Allen, *passim.*

The Debt had already been reduced by £400 millions, and the annual payment to the United States was a partial settlement of it. The Allied War Debtors had not yet begun their payments; the British taxpayer was more heavily burdened than his brethren on the Continent and English exports were suffering from the depreciation of the European currencies. It was therefore necessary to assist industry and commerce as quickly as possible, and in this way fight unemployment.

There was, it is true, an excellent argument on the other side : namely, that the conversion of war debts was the best way of reducing national expenditure, and that this course was only possible if the ground were prepared by the redemption of some of the obligations. But when the War Loans were issued, it was required that they should not be converted before 1929, and between 1924 and that date a good many things could happen, chief among them one or two elections. Why not, then, try for the time being to disarm the hostility of the wealthy classes by lowering the crushing rate of Income Tax, or at least win over the middle classes by raising the exemption limit from taxation? All that had to be done was to promise that the Sinking Fund should be re-established when the Allied War Debtors began to pay. Besides, what guarantee was there that, when the Conservatives returned to power, they would show the same reverence for the science of finance and that by raiding the Sinking Fund they would not pursue schemes with a purely party end in view? All this goes to show that the

powerful financial argument was up against an election argument more powerful still.

(c) *Principal Features of the* 1924 *Budget*—**Only** a man of steel, such as all great Finance Ministers should be, could have resisted so many temptations. Mr. Snowden showed that he had not studied the speeches of Pitt, Peel and Gladstone merely to extract useful quotations from them. He neither increased expenditure on Social Services[1] nor reduced the Sinking Fund. He applied his surplus solely to the reduction of taxation. He began by repealing, not only the Inhabited House Duty, a tax collected on the basis of rent, something like the old French *impot rnobilier?* but a series of taxes recently introduced : the Corporation Profits Tax, a special tax on Limited Companies; the heavy customs duties introduced in 1915 by a Minister whose name they bear (McKenna Duties), which, contrary to their originator's intention, marked a return to Protection.[3] He reduced the Entertainments Tax (the tax on a 15. 3d. seat was reduced by half). These four measures brought about a reduction of 2, 5,[4] 2¾ and 4 million pounds respec-

[1] **Some slight increase resulted from measures already adopted. This was to be covered by the expected surplus of 4 millions, once the taxes were reduced by 34 millions.**

[2] **Snowden defined it as an income tax in miniature, springing from the old tax on hearths and windows.**

[3] **These duties, rated at 33 per cent., affected foreign motor-cars, cinematograph films, clocks and watches, musical instruments, optical glasses and hats. At the time, they aimed at restricting the importation and consumption of articles which in war-time could be regarded as luxuries.**

[4] **On the year the sacrifice was finally to amount to 12 millions.**

tively. The bulk of the surplus was chiefly* employed to balance the loss resulting from the repeal of the duties on sweetened mineral waters,[2] and from the reduction by half of the import duties on coffee, tea, cocoa, sugar and dried fruits. Twenty-five millions were set aside for this purpose.[3] Nominally there was a return to the pre-war tariff, but, taking into consideration the depreciation in the purchasing power of money, the tariff fixed was considerably lower than that of 1914.

With the exception of the Entertainments Tax,[4] none of the measures exclusively benefited the Government's following. Mr. Snowden could justly boast in his peroration that he was " vindictive against no class and against no interests/' and that he had never lost sight of the balancing of the Budget.[5]

(d) *Appreciation of the Budget.*—Public opinion abroad, even more than in England, had been so much stirred by the formation of a Labour Ministry that a Budget such as the one just summarised

[1] I pass over certain secondary measures which will be referred to later.

* Effervescing or mineral waters, especially soda-water, continued to pay duty. The repealed duty, introduced during the War, had been reduced by half in 1923.

[8] 18 for sugar, 5 for tea, £800,000 for cocoa, coffee and chicory, £250,000 for dried fruits, £300,000 for mineral waters.

* Arranged so as to lower the price of the cheap seats only. Therefore it has been said that Mr. Snowden would have done better to use his £4,000,000 to reduce the postal rates.

* Some doubts on this point were put forward during the debates; events proved him right. He calculated expenditure **at** 790 millions and revenue at 794. They amounted respectively **to** 7957 **and** 799*3; the surplus **was** thus several hundred **thousand pounds less than was** expected, but it was nevertheless **over 3i millions.**

caused great surprise. Those who were better acquainted with the Minister's tirades than with his doctrines suspected him of wishing to save the MacDonald Cabinet from the danger of being overthrown at the very start. Others reckoned that, born and bred to the very strictest economic Liberalism, he was proving himself to be more a faithful disciple than an innovator.

Possibly Mr. Snowden did take into account Parliamentary contingencies; probably the theories in which he was brought up did weigh with him. But one must not exaggerate either the one or the other of these influences.

With regard to the first point, it is enough to recall what has been said in Part I to understand to what extent the 1924 Budget reflects the personality of its author and how far it corresponds with his fundamental ideas. He is not a revolutionary; what he is aiming at is the gradual changing of the Social organisation. Now while sound finance benefits everyone, a Budget which does not balance and the impossibility of a prompt return to the policy of Conversion Loan are a calamity to all. Therefore he desires no increase in expenditure even for social purposes.

Neither does he want increases in taxation, for, to quote his own words: * " Though I have always held and declared that the State has the right to call upon the whole of the available resources of its citizens in case of national need, I have equally held and declared that it has no right to tax any-

[1] **Taken from the end of his Budget speech.**

body unless it can show that the taxation is likely to be used more beneficially and more economically/' And he desires that his tombstone shall bear the words : *He worked for the Poor.*[1] So if his Budget lays no new burdens on the moneyed classes, it relieves them to a much smaller extent than the others, for the articles he reduced absorb a much larger percentage of the incomes of the poor than of the rich. And if he did away with the Corporation Profits Tax, notwithstanding the fact that limited companies are one of the targets of soap-box orators, it is because, not being one of these, he wishes, as he has said, to assist industry and labour.[2] A great champion of Temperance, he favours especially those drinks which could take the place of spirits, or even of beer and wine. And he confines himself to those only.[8]

Being a Free Trader, he repealed the Protective

[1] So he declared in his native village during the summer of **1924.**

[2] When Sir Austen Chamberlain introduced this tax in 1920, he stated that limited companies ought to pay for the privileges and advantages afforded them by the law. He pointed out among other things that they were not subject to Super-tax, a definitely personal tax.

For the rest, at that time great fiscal results were expected from the new tax, and it was hoped that it would compensate for the inevitable repeal of the Excess Profits Tax, that being a war tax. It caused a great deal of annoyance to the limited companies and hit small shareholders free from Income Tax. So, co-operative and certain other Societies having been exempted, its amount was reduced in 1923 from 5 to 2J per cent. Mr. Snowden dealt it the final death-blow. For details of a retrospective interest on this question see a long article by M. W. Landy in the *Revue de Science et de Legislation Financidres,* Vol. XXVII. pp. 108-67.

[8] It has **been** already pointed out that he did nothing for effervescing waters. Obviously because soda-water, unlike **ginger-beer, can be mixed with spirits.**

duties camouflaged as the McKenna Duties. This is surprising, for tens of thousands of workers earn their living in the " protected industries," another proof that he is, as is often alleged, more of a Free Trader than a Socialist. It would be more true to say that he is just as much one as the other.[2] The free breakfast-table, which was the aim and object of his exemptions, is certainly a Free Trade ideal, but one must not lose sight of the part played in the lives of the proletariat by breakfast and high tea, the two meals that the English working man takes at home. All the same, if it is true that Snowden did not consider the workers in protected industries, it must be recognised that in his eyes Protection is harmful to the working classes, and therefore its introduction in disguise seemed to him intolerable. Besides, compromises and concessions are foreign to his nature.[3]

[1] During the debates on this, Sir Robert Home showed that the motor industry alone employed 15,000 workers as against 3200 in 1914.

[a] It may not be out of place to reproduce here p. 209 of Mr. Bechhofer Roberts' biography of him. The author recalls how the Cobden Club gave a dinner in honour of the 1924 Budget. During his speech Mr. Snowden said " that no guest of the club had ever been a sounder Free Trader than he—and he wished to assure them that ' The Chancellor of the Exchequer is quite as good a Free Trader as Philip Snowden.' Free Trade, he said, meant much more than free imports; it meant freedom in industry, while Protection might mean either the protection of selfish interests, or the protection of the community against selfish interests. Thus, concludes his biographer, he neatly avoided the awkward task of attempting to reconcile his hosts' fanatical adherence to Cobdenite Individualism with his own Collectivist theories."

[8] To those who accused him **of** "bigoted Cobdenism," **he replied** that Mr. Winston Churchill, in reconciling his **Free Trade** convictions with the Safeguarding of Industries, reminded **him**

It is a mistaken idea, then, to think that Mr. Snowden was sacrificing the workers' interests to a Free Trade doctrinairism. Similarly, the remark of Sir Robert Home, Chancellor of the Exchequer in 1921-2, has been exaggerated; according to it, the 1924 Budget was the Budget of a Socialist Cabinet, but not a Socialist Budget. It is a mistake to think that the Budget was such a one as Sir Robert himself or any purely Liberal Minister would have drawn up. A disciple of Gladstone would have striven to re-establish the balance between direct and indirect taxation, which had existed before the War and which had been upset by it.[1] After the 1924 Budget the ratio of the former to the latter was 2 to i.[2] And this although about four-fifths of the indirect contributions were derived from articles of luxury or, at any rate, those not of prime necessity; so that the Treasury obtains

of an American coquette who said : "I am a married woman but not a bigoted wife " (debate in the House on Dec. 24, 1929). This is an allusion to the fact that in his first Budget (1925), Mr. Churchill reimposed the McKenna Duties and introduced duties on silk (real and artificial) and hops.

[1] During the War there was recourse chiefly to direct taxation. It has been calculated that the proportion of indirect contributions was in 1918-19 reduced to 30.21 per cent., even, if the Excess Profits Tax is counted in, to 18.63 per cent.

It is true that the Income Tax, which hitherto had only applied to incomes above £160, was extended almost from the outbreak of hostilities to those exceeding £130, or in other words, in view of the rise of wages, to the majority of workmen.

[8] This is the aspect of the Snowden Budget which M. Leger emphasises. He might have added that previous Governments had worked in the opposite direction; between 1922 and 1924 they had repealed direct taxes bringing in 88 millions and indirect taxes bringing in 22 millions (according to the calculations of Mr. F. W. Pethick-Lawrence; debate in the House on April 30,

less than 6 per cent, of its resources from foodstuffs.[1]

I am not, of course, unaware that Mr. Snowden has always disapproved of indirect taxes, for this reason among others: that by "chloroforming"[2] the taxpayer they are a bad master, in that they do not encourage those who pay the tax to check its amount and form. In other words, because they enable heavy and unjust taxation to be retained[3] (the same observation also gives grounds for condemning them as encouraging expenditure). But Snowden opposed them also because he considered taxation ought to be an instrument for social reform, and because he thought it desirable to reduce the resources of the rich and transfer them to those whose legitimate needs remained unsatisfied.[4] Moreover, everyone knows that if the lower classes prefer direct taxation, it is chiefly because they escape it. On Mr. Snowden's own confession, in the reductions he proposed, four-fifths of the benefit would go to those who paid neither Income Tax nor Estate Duty.[5]

[1] **Mr.** Graham, then Financial Secretary, now President of the Board of Trade, made a point of this during the debates on March 1, 1924.

* I borrow this expression from Henry Higgs, *Financial Reform*, p. 60.

• Mr. Snowden relies on the authority of William Pitt, who said that by indirect taxation one can succeed in taxing the last rag and the last mouthful of the poor without making them utter a murmur. Cf. *Labour and National Finance* (London, 1920), PP- 93-4-

[4] Budget speech of 1923.

[5] The Committee of Inquiry on National Debt and Taxation, presided over by Lord Colwyn, published in 1927 a report **containing a table** which speaks eloquently for itself. **Here are the**

The few modifications in Income Tax were almost entirely to the advantage of those with slender purses. Mr. Snowden did not conceal the fact that it was incomes under £500 which would benefit by the repeal of the Inhabited House Duty, and that this was also true of the reliefs, very justifiable after all, granted to the widow and widower with children.[1]

(e) *Conclusion.*—In conclusion, the 1924 Budget does the greatest credit to Mr. Snowden, for he did not sacrifice National interests to Party considerations. With a General Election in prospect, his wisdom must have been allied to a rare courage. His Budget did not cause him to abandon a single one of his convictions, and, viewed from the political standpoint, it is, if not a Socialist Budget, at any rate a " Left Wing Budget."

changes which have come about in twenty-three years in the percentage levied by the Treasury on income.

Incomes above:	1903-4- %	1926-7. %
£100. . . .	.6-8	13-1
£1000. . . .	.7-8	14-4
£10,000. . . .	.7-6	40
£50.000. . . .	.8	577

On large incomes the increase is due chiefly to direct taxation, which is reduced on small incomes from 1.2 to 1.1 per cent.

[1] **A relief of £60 was granted in respect of a housekeeper.**

CHAPTER IV

THE HAGUE CONFERENCE

THIS chapter will be a short one. The history of the Reparations and the Inter-Allied Debts has passed through too many stages to make possible a summary of it in a few lines. It is too well known to need a fresh statement. Moreover, the author has made a rule, which he has never yet had to regret, never to write about diplomatic conferences in which he has taken part, in no matter how modest a capacity; and he was a member of the Greek Delegation at the Hague. Nevertheless, a study of Mr. Snowden's financial policy would be too incomplete without some explanation, brief though it may be, as to why English public opinion, quite irrespective of party, was behind the Chancellor of the Exchequer during the fierce struggle he carried on in Holland, and why, on his return, he was given a triumphant welcome. I will confine myself to these two points.

There was a very general feeling among people in England that they had consented to great sacrifices and that these sacrifices had not been recognised.

It was brought out, first of all, that the Balfour Note, in which England had *proprio rnotu* declared

her willingness to receive from the Allies only the sums necessary for the payment of her own obligations to the United States, amounted to a sacrifice of 3 milliards of pounds.[1] It was next pointed out that whereas England had obtained a reduction of only 18 per cent, in her debt to America,[2] she had consented to one of 57 per cent, in the case of France and one of 85 per cent, in that of Italy. The agreement with the United States having been made previously to the others, the Balfour Note did not enjoy full play from 1923-4 to 1927-8.[3] During these five years £176-6 million were paid and £85-4 million received; if interest at 5 per cent, is added to this, there remained until the summer of 1929 an adverse balance of 116 millions, which the Young Plan refused to take into account. Finally, it was recalled that the option granted to Germany of paying off her debt in kind was exercised at the expense of English exports. For instance, to take

[1] These figures, as well as those which follow, are borrowed from " Ephesian " (pp. 219-21), who sums up very well the point of view of his fellow-countrymen.

[2] The figures which follow include compound interest.

* Witness the following table in millions of pounds :

	British Payments to America.	British Receipts from Debts and Reparations.	Adverse Balance.
1923-4 . .	41	2'6	38*4
1924-5 . .	36-4	16.4	20
1925-6 . .	333	14-9	184
1926-7 .	33.1	263	6-8
1927-8 .	32'8	25-2	76
Total . .	176.6	85-4	91*2

only the most obvious example, the Welsh coalfields had lost their Italian market because Italy was receiving German coal for nothing.

All these things, it was urged, constituted unfavourable treatment, whereas, if a difference in treatment were permitted, it ought to have been in England's favour. It was observed, somewhat bitterly, that the currency of Germany's other European creditors had depreciated to a very great extent. This depreciation brought with it a considerable relief to their Budgets, since it had, in fact, reduced the payment of the debts by three-quarters, four-fifths, or even more. On the other hand, Great Britain had suffered by it, for, in addition to the losses endured by English capitalists, who had during the War subscribed to Allied Loans, the depreciation of the Continental currencies, acting as a protective tariff, had been disastrous to English industry and was one of the chief causes of the terrible unemployment crisis which had prevailed for nearly ten years. Inversely, England having a sound currency, and scrupulously fulfilling all her engagements, had an annual service of debt of more than £320,000,000; to cope with this, she was obliged to maintain her taxation at a level which was crushing her industry, and which was making her terrible unemployment problem a chronic one.

This conception of England as a nation ill-rewarded for her generosity and a victim of the depreciation of European values was current among all her people. If Mr. Snowden expressed it with especial warmth, it was because, apart from his

aggressive nature, he felt the situation more than anyone. The Unemployment Question concerned him both as a Labour Member and as a financier; by the sufferings of his own class, out-of-work, and by the enormous expense to the Treasury. The payment of the Debt worried him equally, for, as was noted before, faithful to an old theory of J. Stuart Mill, he believed that the burden of national loans fell on the people.[1] In addition, his financial orthodoxy was shocked to see that so reprehensible a proceeding as the depreciation of the currencies was, as it were, being rewarded by less heavy public burdens and by the absence of unemployment. Its effects on the National Debt seemed to him to resemble indirect bankruptcy,[2] and to differ very little from the repudiation of the Russian Debt by the Soviets.

The speech in which he uttered these words, on the eve of the election which returned him to power (April 16, 1929), caused a great sensation in France, a country that he had charged in connection with this, and when, four months later, the Charon incident occurred, nearly all French people were inclined to credit him with a special animosity against their nation.[3] It was only after the rebuke addressed to Germany on January 11, 1930,[4] and

[1] Cf. further back, a speech of his in 1915.

* It is difficult to maintain that theoretically he was wrong.

* " Ephesian " (p. 227) states that to avoid public disturbances the Paris authorities forbade the exhibition of films in which he **appeared.**

* Here is **a** paragraph, taken from *Candida* (January 16), which is characteristic of the new tone in the Paris Press.

" Mr. Snowden, who at the first Hague Conference **made him-**

the squealing it caused in the German Press,[1] that the public were convinced that he felt no partiality towards any people,[2] and that he was only speaking to foreigners in the tone he employs when he

self very popular in England at M. Charon's expense, is now-gaining the good-will of the French at the expense of M. Moldenhauer, the German Finance Minister. M. Moldenhauer squabbles acrimoniously about dates, figures and modes of payment. He interprets the moratorium of the Young Plan as an indefinitely renewable dispensation from the annual payments in discharge of the German Debt. When he comes to the end of his arguments, he asks permission to consult Dr. Schacht and the Chancellor Muller. ' You do nothing but talk,' retorts Mr. Snowden. ' It is intolerable. Never have there been plenipotentiaries so lacking in full powers of negotiation. This must cease. I have no wish to stay here for ever. If you want to return to the Dawes Plan we are quite agreeable.' The German Delegates, who had made a great fuss when similar words were spoken by M. Tardieu, understood that they had better say no more about going home. That very evening they brought written proposals."

[1] Here are some extracts from newspapers of the 12th of January which a distinguished fellow-countryman was good enough to send me from Berlin :

" Mr. Snowden's speech was regarded even in non-German circles as being in very bad taste."—*Gazette de Cologne.*

" Mr. Snowden has resumed his role as tyrant of the Conference " *(Berliner Tageblatt).* The *Deutsche Allgetneine Zeitung* compares the meeting to " the terrible weather—rain, wind and storm—which was going on outside."

[2] In which he was proving himself thoroughly English. British politicians (Disraeli was an exception, but he had not a drop of English blood in his veins) have no thought but for their country's interests, which vary according to circumstances. Foreigners make a mistake in losing sight of this sometimes. In 1908, great offence was occasioned by what was said to be Lloyd George's Pro-German attitude, and especially by his visit to Germany as soon as he became Chancellor of the Exchequer; his attitude at the time of the Agadir Incident and during the War is well known. In Bismarck's time, nothing else was talked about in Berlin but Joseph Chamberlain's leanings towards France, yet when the Fashoda Incident occurred, no Minister was more attacked than he in the French Press. My own fellow-countrymen in 1886 could not get over the fact that Gladstone, whom they had **looked upon** as **their friend,** should blockade the **Greek** coast.

is irritated by his fellow-countrymen.[1] Protests against interminable sittings in the House are also a habit of his.*

On his return to power, Mr. Snowden repudiated neither the Balfour Note nor the Caillaux-Churchill Agreement,[8] but at the Hague Conference he insisted that the percentage of 23-4 per cent, granted to England at Spa on the German Indemnities should be scrupulously adhered to. The Young Plan meant a reduction for England estimated at £2,400,000. It was round these figures that the whole battle was waged. In the end, he gave up £400,000, but obtained in exchange important concessions, chief among them these : that reparations in kind should not be resold in the foreign market, and that Italy should undertake for three years to buy £1,000,000 worth of English coal.

This result was regarded in England as a triumph, not so much because Great Britain had found herself isolated at the Hague, as because the concessions made at her expense by the Young Plan had been approved by English experts. Since the Balfour Note and the disadvantageous agreement with America, Snowden 's fellow-countrymen had, rightly or wrongly, had the feeling that they were going from one concession to another. For the first time

[1] He was in one of those moods on the 16th of April, 1929. He spared no one. And as, incidentally, he accused Mr. Churchill of admiring his own eloquence too much, Sir Robert Home reproached Snowden with delighting too much in his own bitterness of tongue.

[2] As soon as he was elected M.P. he refused to take part in sittings protracted beyond all Christian hours.

[3] As was feared from his speech on April 16.

they saw their Delegates take up a firm stand, refuse from the outset to withdraw one step and even regain, in a great measure, the ground already lost. The moral gain seemed to them to be even more considerable than the material gain.[1] Hence the manifestations which greeted the Chancellor of the Exchequer on his return.[2]

[1] This was equal to 0.25 per cent, of the British Budget. Almost nothing. It did not, however, seem negligible to the British taxpayer, who, crushed by taxation, was ready to welcome any relief.

[2] Since then, Mr. Churchill has maintained that Mr. Snowden should have accepted the Young Plan, declaring at the same time that it contravened the Balfour Note. England would then have been free to use for the relief of the British taxpayer the sums she would eventually receive (in repayment of War Loans) from Russia, as well as the reductions that America might agree to in respect of England's debt to her.

CHAPTER V

THE I93O BUDGET

(a) *The Financial Situation,*—When Mr. Snowden introduced his second Budget, the situation was not so favourable as in 1924. Far from it. The financial year 1929-30 had ended in a deficit of nearly £15 million,[1] and although a slight improvement in the yield of taxation was expected, expenditure had so greatly increased that it was necessary to provide for further receipts to the amount of 42.264 millions. The surplus of a special fund[2]—16 millions—reduced the expected deficit to 26.3 millions. A financier with no thought for the future would have been satisfied merely to cope with this. But though Mr. Snowden may be open to other reproaches, he is a man of quite another stamp. Not content with at once providing for ordinary receipts to replace in 1931-32 the afore-mentioned fortuitous sum, anxious that settlement shall be

[1] **The situation was as follows :**

	Expected.	*Realised.*
Revenue . . .	**£746,300,000**	**£734,189,000**
Expenditure . .	**2741,964,000**	**£748,712,000**

The deficit was therefore three times greater than the expected surplus.

*** Mr. Churchill had established a fund intended to counterbalance the losses entailed by the reduction in local rates. The new taxes designed to feed it having come into force eighteen months before the reduction began, he had established a reserve fund. It was this nest-egg that Mr. Snowden laid hands on.**

effected quickly, he arranges that the debt caused by last year's deficit shall be wiped out in three years, and for this purpose he sets aside 5 millions in his Budget. At the same time, he pledges himself not to let the special Sinking Fund go below 50 millions. At the end of it all, his Budget balances with a revenue of 789.4 millions and an expenditure of 787.2 millions; surplus 2 millions, or rather a revenue of 873,280,000 and an expenditure of 871,044,000. In point of fact, for some years now,[1] the Public Accounts have separated from the Budget what are called the Self-Balancing Items, the self-supporting services: namely, the Post Office and the Road Fund; but as at the same time Postal Services are made to figure in the receipts as having a surplus of more than 10 millions, it can be seen how artificial this classification is.

Let us notice in passing, to return to it later on, the magnitude of a Budget of nearly £873 million. For the moment let us turn our attention to the question of ways and means.

(b) *The Fiscal Aspect.*—The Chancellor of the Exchequer's object was not, as in 1924, to obtain a surplus; he dared not hope in the circumstances for any material automatic increase in taxation returns.[2] So, in spite of his Free Trade principles, he had to postpone to a more favourable time the

[1] Mr. Churchill was responsible for this reform, for which there was no point, and which will immensely complicate the task of those wishing to make a comparative study of the English Budgets.

[2] The anticipated increases from sugar, beer, tobacco and Income Tax were, for the most part, counterbalanced by other decreases and by reductions in the payments expected from

repeal of the McKenna Duties and the Silk Duties,[1] which brought in nearly 10 millions, and to confine himself to the dropping of certain more or less Protectionist duties (on gloves, gas-mantles, lace, cutlery), which, inaugurated five years before by the Conservative Ministry, brought in only a million to the Treasury and were due to expire this year. He had also to leave untouched the Food Taxes he hated so much. As regards Income Tax, the reliefs he granted, while representing a noteworthy sacrifice (5 millions), aimed solely at protecting small incomes against the raising of the rates that he was going to propose. Though there were no reductions of importance,[2] new impositions, on the other hand, were not lacking. In the first place, Mr, Snowden obtained three millions by an increase in the tax on beer, which was to take the form of a direct tax on the brewers; for these, for fear no doubt that worse might befall them,[3] pledged them-

German Reparations. It was calculated that under the old rates the revenue would be higher by 5 millions than that of 1929-30, which was 739 millions; nevertheless, the revenue was 7 millions lower than that expected by Mr. Churchill in April 1929.

[1] It must be remembered that he had already repealed the former in 1924, and that the latter had been introduced since.

[2] The tax on the bookmakers, which shocked his puritanical scruples, it will be remembered, had been repealed (cf. Appendix B), and duties had been lowered on certain vehicles not coming under the head of luxuries, such as motor-cycles or lorries.

[3] The Conservatives in 1923 had greatly reduced the tax on beer. Mr. Snowden did not think this reduction was to be commended, for, in his eyes, owing to the number of teetotallers, beer did not count as an article of general consumption (cf. Appendix *B).* A return to War rates would have yielded £15 million. The brewers, therefore, had good cause for anxiety; especially as Mr. Lloyd George had accused them of realising profits of ^25 million as against £9 million in 1913.

selves not to raise the price of the drink **nor** to diminish its strength. But chiefly he turned his attention to direct taxes in the proper sense of the word. He counted on obtaining :

24 millions from Income Tax,
6 millions from Sur-tax,
7 millions from Estate Duty.

The following are the ways in which this extra revenue [x] will be obtained :

Income Tax is raised from 4s. to 4s. *6d.*; that is, from 20 to 22| per cent. But by the concessions granted to people with small incomes, which represent, as has just been said, five million pounds,[2] things are so arranged that three-quarters of those liable to Income Tax do not pay more than formerly.[3]

The Sur-tax on incomes over £2000, varying from *gd.* to 6s. in the pound sterling, is to be raised from is. **to** *ys.* ***6d.***

The Estate Duty is to remain as at present on estates below £120,000. Above this amount the

[1] It will be a little less this year, as the whole of the financia year is not included.

[1] Instead of the allowance of 2s. 3d. on the first £225 hitherto granted, one of 25. *6d.* is allowed on the first ^250, so while the allowance is increased the rebate limit is also extended.

• Thus a married man with three children will not pay more unless the interest on his capital exceeds £735 or his earned income £882.

Unmarried taxpayers are less favoured. Nevertheless, they will not suffer under the new Budget unless their unearned income exceeds £485.

rate has graded increases of from I to 10 per cent., as is shown in the following table :

	Old Rate.	New Rate.
£120-140,000	21%	**22%**
£300-325,000 .	25	**30**
£600-750,000	28	**36**
/ i ,000,000-2,000,000	30	**40**
Above ^2,000,000	40	*50*

In each of these three cases, drastic measures are taken against evasion of the tax. Thus, to give but one example, estates will not be able to escape Estate Duty by being transformed into limited companies.

(c) *The Guiding Principles.*—A Budget such as this will not surprise those who have read my earlier pages. Its author has evidently remained faithful to the principles he professed at the beginning of his career with regard to taxation debt and Free Trade. Neither has he altered his financial methods.

Thus he raises the three taxes, on which he had already demanded that there should be an increase before the War in his suggestions to Lloyd George.[1] He even declares that he is going to revive his projected Tax on Land Values, for he is of the opinion that the failure of this reform in 1910[2] was due to temporary difficulties. If he did not incorporate it in his Budget, it is because he foresaw long discussions, and because it was important that the

*** Cf. Chap. I of Part I I .**
• Cf. Chap. I (c).

new taxes he proposed should be passed without delay.[1]

Neither does he repudiate the principle of a Capital Levy, but, recognising that the moment for applying it is passed, he taxes large fortunes by raising the Estate Duty, and delights in the thought that the War Profiteers who are beginning to pass over into a better world will give back, even though only posthumously, a portion of the £400,000,000—which, according to official estimates, they acquired from 1914-19.

His old convictions on the subject of the redemption of the National Debt are not less clearly manifested. Mr. Churchill had allocated a sum of £355 millions to be used for the Services of the National Debt. The amount thus being fixed, as the securities were redeemed, the portion formerly allotted to the payment of interest was to go to swell that other portion allotted to the redemption of the Debt itself; and the total Debt was to be wiped out in fifty years. All the same, it was obvious that this system could produce its full result only if no new debts were contracted. But this is precisely what did happen last year, so that instead of the Debt being reduced by the 50 millions expected, it was reduced only by 28. Mr. Snowden retains the Churchill system, but he ensures its integral working by stipulating that every deficit must in the future be met by new fiscal returns.

[1] **To understand this, it must be remembered that in England new taxes, collected as soon as they are proposed by the Chancellor of the Exchequer, automatically cease to be valid if they are not passed by Aug. 4.**

We saw that in order not to deprive himself of a considerable revenue, the Chancellor of the Exchequer provisionally spared the most important of the protected industries. But he is only waiting for a surplus to repeal the McKenna Duties and the Silk Duties just as he did the other Protectionist duties. He remains true to his Free Trade beliefs.

Neither has he altered his opinion that a recourse to taxation is justified only by absolute necessity. He expresses his conviction that he will not be obliged during the life of the present Parliament to make any new demands on the taxpayer; which means to say that he pledges himself not to increase expenditure.

Having a horror of taxes on industry,[1] he flatters himself with having spared it, for he calculates that the Income Tax does not affect it.[2]

As far as his financial methods are concerned he remains conservative. As has been said, he fleeces the taxpayer more closely, but he uses the same shears as his predecessors. He raises the rates of taxation, but he does not alter the fiscal system. The newspapers, aware of the deficit, had prophesied various fiscal innovations. Not one of them was realised.

(d) *Opposition Criticism.*—On the morrow of his

[1] **He repealed, it will be remembered, the Corporation Profits Tax.**

[2] **His supporters cited in this matter the authority of the Colwyn Committee on National Debt and Taxation, whose report (1927) has already been mentioned. This committee, with Lord Colwyn as Chairman, included a large number of personages well known to Science and Finance; among them Sir Charles Addis, Sir Arthur Balfour, and Sir Josiah Stamp.**

Budget speech, Mr. Snowden found himself opposed to the attacks of both the Conservatives and the Extreme Left. Almost the whole of the London Press frowned on him.

On the Conservative side the principal complaints were:

(1) That whereas in England there is already a higher proportion of direct taxes than in any other country in the world, it is on these exclusively* that the whole weight of the new burdens is thrown. Without sacrificing his principles, Mr. Snowden could have had recourse to the Customs, for even if Free Trade is opposed to Protective duties, it has no objection to fiscal tariffs.[2]

(2) That whereas Income Tax-payers represented less than one-tenth of the voters,[8] only about a quarter of these (550,000) were affected. On the other hand, those with an income over £2000, having to pay Sur-tax in addition to Income Tax, were subject to actual war-time rates, since on an income of £100,000 this double tax was raised from 47*2 per cent, to 55*6 per cent.

The position of the large capitalists was still further aggravated by the increase in the Estate Duty. Mr. Churchill calculated that those among them who insured themselves against the payment of Estate Duty had already, in his time, to pay a premium which, when added to the Income Tax

[1] **It has been noted that the tax on beer was a direct tax on the brewers.**

*** Cf. on this point the speeches of Mr. Churchill and Sir E. Hilton Young (House of Commons Proceedings, April 15).**

*** The proportion is about one in twelve.**

and Super-tax, swallowed up 70-75 per cent, of their incomes. To-day, with *6d.* on Income Tax, *i8d.* on Sur-tax, and at least 15*d.* on Insurance, it would be a miracle if 10-15 per cent, remained to them. To do this, continued Mr. Churchill, was to forget that the great capitalist is a highly economical animal, and that he saves more than any other person. To take away from him his means of saving, and, what is worse, to force him to emigrate, is after all to strike a blow at industry, which Mr. Snowden is so anxious not to touch,[1] and at the workers, whose welfare he has so much at heart.

It was also pointed out [2] that too heavy a direct taxation turns capitalists away from Government stock and drives them into speculation; thus making almost impossible this Conversion which seems to everyone to be the sole means of lowering, to any appreciable extent, national expenditure and consequently of lightening fiscal burdens.[3]

These criticisms were to be found in one form or another in all the Conservative and financial newspapers, that is to say, in four-fifths of the Press.

In Protectionist circles, the protests were still stronger.[4] The repeal of the Protectionist duties would ruin several industrial centres, among others Nottingham,[5] where the lace-making industry had recently received a great impetus. What was

[1] Cf. p. 82.
[1] Cf. among others Captain Eden's speech, House of Commons Proceedings of April 16.
* Cf. further on, p. 94.
* Especially in the *Daily Express.*
* Cf. Sir 1 lenry Betterton's speech, House of Commons Proceedings **of April 15.**

worse, by a pedantic adherence to the principles of Free Trade the colonies would be given to understand that they could hope for no preferential treatment in the British market. Thus a deadly blow would be struck at the prosperity of Great Britain and at the idea of Imperial Federation.

The Extreme Left of the Government Party was little better pleased. In their eyes, Mr. Snowden had drawn up a capitalist and opportunist Budget.[1] Not a penny was set aside in any form whatsoever for expenditure for the benefit of the poor : no step was taken to improve their standard of life or to ensure them decent wages. Looked at more generally, the Cabinet had not made the least allusion to measures for extending nationalisation. They had not even had the courage to make a frontal attack on the concentration of capital in a few hands; the sums the Treasury deducted from the Sur-tax payers did not exceed those which it paid back to them in the form of interest on Government stock. The considerable profits which the capitalists derived from the labour of their workers were not touched, yet that did not hinder them from hiding their capital abroad.

The anger felt by the Extreme Left of the Government Party was manifested still more strongly outside Parliament at the I.L.P. Conference.[2] The

[1] See Mr. Maxton's speech on April 15, which followed immediately after that of Mr. Churchill; cf. also the speeches of Messrs. Marcus, Lovat-Fraser, Morley and Benson, referred to later on.

[2] This was held during the week following that in which the Budget was introduced.

Government was bitterly reproached with not having tried to carry out the Socialist Party's programme formulated officially in *Labour and the Nation,*[1] and especially[2] with not having given up enough to expenditure on Social Services,[3] for which direct taxes on large fortunes were to provide the necessary means.[4]

Attacked by the Conservatives, abandoned by the " Mountain," the Budget would have been in some danger had it not been for the support it received from the Liberals, and especially from Mr. Lloyd George in a speech to which reference will be made presently. Thanks to this support[5] it can be considered as adopted, and it remains for us only to examine it objectively.

(e) *The Budget considered objectively.*—We saw, further back, that the 1924 Budget was, if not a Socialist Budget, a Radical-Socialist Budget. That of 1930 being of the same type, it is surprising that the Conservative element which had welcomed the first so warmly should have so coolly received the second. The thing is explained, doubtless, by the fact that in one case they were faced with a

[1] A strongly-worded pamphlet published in 1928 with a preface by Mr. MacDonald.

* The nationalisation of the banks was also demanded.

• For details of suggested measures see Appendix A.

[4] They went so far as to talk of an unlimited graded tax **on** Estate Duty—that is, one which might reach too per **cent.**

[1] It has been noted that politically the last Budget debates widened the breach between the Liberal and Conservative Parties and facilitated an alliance between the Liberals and the moderate section of the Labour Party, which now holds all the portfolios. **The** importance of this event is somewhat lessened by **the fact that** to-day the Liberal Party is a Radical **Party and that the Snowden Budget is more Radical than Socialist,**

surplus and in the other with a deficit, and that it is more difficult to submit to the burden of new taxation than to put up with the absence of reductions. But the economist has no reason to modify his opinion, for the principle remains unchanged; it is that of progressive social taxation. If Mr. Snowden with a new surplus at his disposal had repealed the remaining indirect taxes on articles of general consumption (tea, sugar, etc.), there would have been, all the same, several millions of voters exempt from the honourable obligation of contributing towards the national expenditure, while a large part of the revenue was being used for their benefit.

To my mind, it is a mistake to give up indirect taxation. For, believing that every voter ought to feel the financial results of the policy which, by his vote, he has imposed on the country, it is my opinion that a slight increase in the prices of articles in general use can be made without injurious consequences to the public well-being,[1] and even to its advantage.[2] And this will compel every one to take his share in bearing national burdens. Although a Free Trader, I consider, too, that purely fiscal duties can be employed with advantage to make indirect taxation play the part it should do. I am equally convinced that rates as high as those imposed on incomes and estates in England can only encourage people to dodge taxation, for however much Mr. Snowden may enforce the inquisitorial powers of the administration,

[1] **Without raising the price of necessary articles of food.**

[2] **For instance, the duty on beer might be raised still higher, merely by making the consumer pay part of it,**

the ingenuity of the taxpayer will always be more than a match for that of the Treasury. In any case, emigration of persons and capital cannot be prevented, and—I speak from certain knowledge —it has already assumed considerable proportions in England.[1]

Looked at objectively, the 1930 Budget cannot, therefore, be fully approved. On the other hand, one cannot but admit that its author possesses qualities which are becoming more and more rare in a Finance Minister, and which have at all times been exceptional in Left Wing parties. And chiefly for these reasons :

(1) He has a horror of extra expenditure, which is reminiscent of Gladstone's.[2] The slight additional expenditure on Social Services which he authorised was inevitable, and was more modest than that to which a Conservative Minister would probably have agreed.[3] Further, in affirming his conviction that he will not have to impose new taxes during the life of the present Parliament, he has given his unhappy supporters to understand that additional expenditure on Social Services will not have his approval.

(2) He works with a zeal which is truly Gladstonian for the redemption of the ConsoUdated

[1] **As regards foreigners, the time when every good paterfamilias felt obliged to deposit his fortune in London has gone by.**

[2] **Miss Rathbone was able to report the words of a high official in the Treasury. " I have known Ministers who hated spending money on armaments and others who hated spending it on Social Services, but I have never come across a Chancellor before Mr. Snowden who hated spending money on anything " (Debate in the House on April 16).**

[8] **Cf. further on, pp. 91-92.**

Debt, and for the consolidation of the Floating Debt.[1] He is right over and over again, for, as will be shown presently, only the reduction of the Services of the Debt can in the end bring relief to the British taxpayer. But it is well known what voters think of a policy whose fruits ripen only in a more or less distant future and whose burdens they meanwhile have to bear.

(3) He has principles. Some people may, if they like, make fun of his orthodoxy and call him the Mrs. Grundy of finance; all the same, a man who will sacrifice thousands of votes to the principles of Free Trade or any other doctrine which he believes to be right is deserving, in these days, of our very real respect.

On the other hand, an impartial judge, viewing things from a practical point of view, must not overlook two considerations :

(1) The General Election resulted in a Labour Government. To expect a Conservative Budget from a Socialist Cabinet is ridiculous. It is a wonder that there was not a purely Socialist Budget. It is enough to run through the Proceedings of the House of Commons to realise what the feeling of a large number of the Government's supporters was. In the matter of expenditure on Social Services, the extracts from Mr. Maxton's speech aforementioned are sufficiently edifying. And as to rates of taxation,

[1] **This has recently risen to ^127,000,000. The sum is a very-considerable one and explains the abundance of money and the lowering of the rate of interest in the London market. This lowering of the rate of interest involves a great saving in the Services of the Floating Debt.**

it behoves us to consider that even the moderate Socialists (those ironically termed Kerenskys) regard acquired wealth less as an agent of production than as a factor of social injustice.[1] For example, Mr. Marcus[2] emphasises the fact that of the 4 milliards of pounds sterling at which the national revenue is estimated, £1,600,000 goes to benefit the workers and £2,400,000 those people with private incomes. He claims that the present industrial crisis is as grave as an international conflict, and therefore justifies a return to war rates with Income Tax at 30 per cent. Others[3] lay stress on the fact that there are to-day thirty times more millionaires than at the beginning of the century, that the aggregate wealth increases by 500 million pounds sterling a year, and that the issue of scrip goes on increasing.[4] They also point out that the index-number has been considerably lowered since the issue of the War Loans, and that subscribers benefit enormously from this.[5]

[1] **These two conceptions were summed up to perfection by Sir Josiah Stamp, who said : " In the eyes of some people wealth is a stimulus to production, in the eyes of others a social irritant."**

[2] **Debate in the House on April 15.**

[3] **Cf. the speeches of Messrs. Lovat-Fraser, Morley and Benson.**

[4] **369 millions in 1928, 383 in 1929.**

[6] **This is the argument so often used in favour of a Capital Levy. Mr. Benson (in the House on April 16) gave the following figures:—**

	Debt in milliards of pounds.	Index-number.
1920	7'8	307
1930	*7'5*	1365

Therefore, he concluded, the bearers had at their disposal capital with a purchasing power two-and-a-half times greater than ten years ago.

If, instead of Mr. Snowden, one of these orators had been Chancellor of the Exchequer, without doubt he would have greatly increased expenditure on Social Services and have laid the burden of the increase on the capitalist. The House of Commons might have rejected this new People's Budget, but as the greater part of the 28 million voters would have reaped only advantages from it, a dissolution would perhaps have given the Labour Party an absolute maj ority. So, all things considered, from the electoral point of view Mr. Snowden has shown great moderation.[1]

(2) The Conservatives had remained in power for five years. It was hoped that, as in 1923, they would again reduce both expenditure and taxation.[2] That occurred only once—in 1925. No doubt they suffered from the General Strike of 1926 and from the economic crisis of these last years. But, on the other hand, it is undeniable that the question of economy did not trouble them at all. I will presently give some figures illustrating this which I have borrowed from Mr. Harold Cox. The Conservatives themselves in their election programme boasted of having outstripped the Labour Party in the direction of expenditure on Social Services, of having in 1929

[1] **Recent facts prove this to be correct. An Under-Secretary of State whose origin and connections would naturally predispose him towards the Right Wing (Sir Oswald Moseley, son-in-law of Lord Curzon), has resigned because the Government rejected his proposed measures against unemployment. His scnemes entailed additional expenditure to the amount of nearly** £10,000,000.

[a] **Their original intention was to reduce them by 10 millions a year.**

set aside 382 millions for this purpose compared with the 332 of the Snowden Budget of 1924, of having " protected and assisted the worker from birth to old age "; and they pledged themselves to do still more if they were retained in power. Moreover, considerable subsidies had been allocated to the production of sugar-beet and coal. The 1929 Budget alone included additional expenditure to the amount of 30 million pounds sterling. By reproaching a Labour Government with having added a few millions to expenditure on Social Services they laid themselves open to the charge of claiming ''the sole right to initiate additional expenditure."

Mr. Lloyd George, who levelled this taunt at them, and who, in an extremely brilliant speech, threw the whole responsibility for the present situation on the Conservative Party,[1] also observed that it ill-behoved the Tory Party to complain of the disparity between direct and indirect taxation, since on the eve of the election they had lowered not only the duty on sugar

[1] The *Daily Mail* did the same. Its leading article on April 15 contains the following caustic paragraph :

" For the extraordinarily grave position in which the nation finds its finances the Conservatives cannot place the entire blame on their opponents. They themselves are largely responsible.

" The last Conservative Government was returned to power pledged to economy. It had a majority so overwhelming that it could have done anything it wished. Instead of fulfilling its pledges and discharging its duty it plunged into every kind of extravagance. It placed on the taxpayer a capital liability of no less than ^746,000,000 for pensions. It laid the foundations of the present excessive expenditure on education and imposed on the public various costly inspectorships. Had it been returned to office last year it had pledged itself to a ruinous Factory Act, to **an** expansion of the pension system **and to further expenditure on education."**

but also that on tea. But, after all, the ex-Prime Minister cannot himself escape the reproach of inconsistency. When he said, and with truth, that what mattered was not the taxation but the expenditure that was the cause of it, he was forgetting that in his own election programme he proposed to fight unemployment with huge schemes of work entailing colossal expenditure. Going back still further, one could have reminded him that before the War it was he (together with Mr. Winston Churchill, then a colleague of his in the Asquith Cabinet) who had inaugurated the system of " Social Finance/' which consists in voting expenditure for the benefit of one class and making another pay the bill.

(f) *Conclusion.*—It is not for a foreigner to mix himself up in these controversies; his business is to state clearly what the situation is. This can be summed up in two or three words: England has a good Finance Minister, but she is going through difficult times. Her expenses are four times what they were a few years ago. They amount to £912,000,000 (including the Post Office and the Road Fund) and exceed those of every other country. But, worse still, the principal items of expenditure cannot under any circumstances be reduced. For it is not possible arbitrarily to reduce the Services of the National Debt, which swallow up the immense sum of 355 millions, nor (considering the vast extent of the Empire and the absence of compulsory service) to assign to Defence less than no millions.[1] As

[1] **Mr. Snowden reduced the Army Estimates by £45,000 and those of the Navy by £4,126,000, but he was obliged to increase**

to expenditure on the Civil Services which amounts to 295*6 millions,[1] no reduction can be hoped for there, for the principal item in it is the expenditure on Social Services, which all parties are doing their best to increase.[2]

Under these conditions, how can economies be expected? Failing these, an automatic increase in the yield of taxation would undoubtedly serve to redress the balance. But substantial increases do not seem to be imminent.[3] The Food Taxes, whose elasticity is proverbial, are reduced to a minimum. Income Tax was looked upon as being just as elastic, but the crushing rates at present in force would seem to indicate a relative decrease in its yield.[4] The economic crisis which Mr, Churchill deemed temporary is assuming a chronic character. In any case, British trade represents only 11 per cent, of the world's trade instead of 14 per cent, as before the War.

Much, no doubt, may be expected from a big Conversion. But it is not yet in sight, and its eventual success will depend on the extent of the

the expenditure on the Air Force, so that the total saving was only £2,521,000. In three years a total reduction of 7 millions will be achieved.

[1] Not including the Post Office and the Road Fund.

[2] For details see Appendix A.

[3] Those expected for 1930-31 are: beer £800,000; tobacco £400,000; sugar £2,000,000; Income Tax £1,500,000. They are partly accidental and partly counterbalanced by a foreseen decrease in other receipts, *e.g.* spirits (£1,500,000).

[4] This point is strongly emphasisedin an article by Sir E. Hilton Young, entitled, with some little exaggeration perhaps, " The First Socialist Budget" (*Nineteenth Century*, May 1930)-

redemption. So that in this direction, **too,** one must sow before one can reap.

The sunny skies of 1924 are dark to-day. If this were not so it would be surprising. Six years ago the outlook was good because after the War economies had been effected. To-day it is indifferent because since 1924 the reverse has been the case.

Here is what Mr. Harold Cox wrote about it in the *Sunday Times* of April 20 : " The present rate of taxation in Great Britain is higher probably than in any other country in the world. In the United States, in France, and even in Germany taxation is being reduced; in Great Britain it has risen. How rapidly expenditure is growing can be shown by one figure. Mr. Snowden's present estimate for expenditure is £871,000,000. The corresponding figure for his previous Budget in 1924-5 was £790,000,000, or an increase of £81,000,000. Ten millions of this represents an increase in the Sinking Fund—a fully justified item. On the other hand, there has been an automatic decrease of £15,000,000 a year in war pensions, and there has also been a decrease of £5,000,000 in the expenditure on defence forces, so that the real increase on Civil expenditure is £91,000,000/'

It is obvious that if £91,000,000 had not been spent the situation would have been splendid.

But why did they not refrain from doing so? This same newspaper tells us in another article. It is because, apart from the spendthrift tendencies of the bureaucracy, each party has tried to outbid the others with the electorate. And the *Sunday*

Times says in conclusion: " Of the two kinds of corruption—that in which the politician takes the bribes[1] and that in which they give the bribes—there is much to be said for the view that the second, which is the modern kind, is the more dangerous to the public interest/'

This note was sounded in several papers. The response it has found among the pubhc leads one to hope for an expression of popular feeling similar to that of 1921, If it comes, England will soon know better days.

[1] This is what English politicians in the 18th century were accused of doing.

APPENDIX A

EXPENDITURE ON SOCIAL SERVICES

THE term "Expenditure on Social Services" is an elastic one. In England, it includes expenditure on education; and rightly so, for it is in accordance with the idea of social solidarity; moreover, in the United Kingdom scholars are given books and sometimes midday meals and even clothes.

Lloyd George in his 1913 Budget speech pointed out that since 1851 expenditure on Social Services had risen from 4 to 74 millions, while the Budget total had risen only from 70 to 195. And further, the change was largely due to nine important laws [x] passed since the return of his Party to power. The operation of these laws, the War and the great post-war Unemployment crisis accelerated its progress. In 1925-6 it was calculated that this item necessitated a sum of 351*3 millions, of which 89*4 only were derived from individual contributions, the other 261.9 millions being a charge on local finance (85.5), and particularly on the State.

The following table will make the position clearer.

	£ *million.*	
Unemployment Insurance.	**49*9**	**(of which 13*5 was paid by the State.[2])**
Health Insurance.	**36*5**	**(of which 7*i was paid by the State).**
Old-Age Pensions.	**27-9**	
Education.	**92*6**	**(of which 37.8 was charged to the Treasury, 47.5 to local finance).[3]**
Housing.	**20.1**	**(of which 87 was a charge on the State).**
Various other Expenditures on Social Services.*	**16 '6**	
Pensions—including those of disabled ex-soldiers.	**63*9**	

[1] The chief among them were those dealing with Old-Age Pensions, Housing, Insurance, Grants to School-children, etc.

[2] The rest by individual contributions.

[3] 77 was paid by those benefiting from it.

[4] Payments to widows and orphans, medical assistance, maternity benefits, asylums, etc.

These figures are taken from the *Traite de Science des Finance*, by Gerloff and Meisel, but, as has already been shown, since 1926 the Conservative Party has considerably increased them. Mr. Geoffrey Drage has just collected into one volume [1] the numerous articles he has published on this question. Tables are to be found at the end of his book, which may be summarised as follows: [2]

Expenditure on Social Services.

Years.	England.	Scotland.
1891 . . .	£20,125,331	2,519*003
1901	£31.707,259	4,303,662
1911	£55,260,872	7,896,679
1921	£271,426,157	35,315,613
1928	£322,689,403	43,264,106

The total amount of this expenditure amounted in 1928 to £365,953,509. It was distributed as follows:

	England.	Scotland.
Unemployment Insurance	38,256,114	£4,528,685
Health Insurance	33,739,ooo	3,857,000
Payments to Widows and Orphans	10,590,000	i,357,ooo
Old-Age Pensions	29,884,467	3,822,333
War Pensions	51,168,217	5,769,929
Education	81,625,077	12,816,964
Special Schools (Industrial, etc.)	583,468	171,415
Hospitals, etc.	6,839,000	1,323,000
Maternity and Child Welfare	2,063,000	276,500
Housing	[2]3,i57,ooo	3,554,ooo
Public Health	40,989,000	4,491,000
Unemployment Grants	41,060	15,100
Lunacy and Mental Deficiency	3,754,000	1,281,000
	£322,689,403	£43,264,106

This is how this expenditure was met:

	England.	Scotland.
1. Local Taxation Accounts .	77,292,146	£12,124,537
2. State Subsidies . . .	156,048,526	21,041,593
3. Individuals' contributions and other sources . . .	100,425,304	12,065,026
	£333,765,976	£45,231,256

[1] Entitled *Public Assistance* (published by John Murray).

[2] These tables are printed in Parliamentary Papers, H.C. 101 of 1929- 3d.

Since 1928, with the exception of war pensions, of course, expenditure on all these services has steadily increased,[1] for the scope of the Social Laws is being continually widened.

The last Budget anticipated an automatic increase in several of the afore-mentioned items,[2] plus 19 millions of additional expenditure, of which 14 go to Unemployment relief and 5 to Widows' Pensions.[3]

Sir E. Hilton Young estimates that the total increase (automatic or otherwise) will amount to 27 millions.[4]

Mr. Snowden has given clearly to understand that it will not go beyond this figure. Be that as it may, if indeed a Socialist Government moves more slowly in this direction than the Conservatives have done, the world is topsy-turvy. At all events, the MacDonald Cabinet will have its work cut out to withstand the pressure that its supporters will bring to bear on it. During the I.L.P. Conference[5] a demand was put forward that workers should have a pension at sixty years of age; that Unemployment doles and Widows' Pensions should be increased, and that the individual concerned should be relieved from all contribution. If this last reform is ever realised it will mean an extra charge of 100 million pounds sterling on national and local finance.

Even if things remain as they are, expenditure on Social Services will not absorb less than 400 millions; more than double the total figure of the 1913 Budget.

The moral and economic results of this legislation have been too often pointed out[6] for it to be necessary

[1] One of them, payments to widows and orphans, has been more than doubled; in 1929 it amounted to £21,218,000 for England and £2,606,000 for Scotland.

[2] Old-Age Pensions £1,000,000; Education Grants £2,500,000; Housing and Health Insurance £1,368,000.

[3] The law relating to this has just been altered.

[4] In an article in the *Nineteenth Century,* May 1930.

[5] Held during the fourth week in April 1930.

[6] See the letters of M. P. Villars, for many years London correspondent of the *Journal des Dibats

to go into them here. At the present moment, several hundred thousand unemployed are living at the State's expense. Further, the great majority of the population [1] is deriving enormous benefits from taxes paid by a minority of the taxpayers. That this system is likely to demoralise the working classes, discourage emigration, once the strength of the British Empire, and finally perpetuate unemployment is difficult to deny.[2] The multiplicity of its laws, moreover, opens the door to fraud; this has often been proved in the Courts; people astute enough to take advantage of the numerous Acts of Parliament have managed to draw from £5 to £7 a week, an income to be envied by many in a higher walk of life, which enables them to live in pleasant idleness.

What makes the situation still more serious is that the evil has its roots in the distant past. The English have always administered their war finances admirably, and they have shown that, in our own day, they have not deteriorated in this respect. On the other hand, they have, on several occasions, been led into spending huge sums on Poor Relief.[3] The Poor Law, which goes back

[1] **At first sight 39 million persons, viz. nine-tenths of the population, benefit from the Social Laws. These figures do not take duplications into account; so the proportion should be reduced to 60-70 per cent., which is none the less very high (Drage, p. 193).**

[2] **The Unemployment Crisis has grown a little less acute since June 24, 1921, when it reached its highest figure (2,177,899). But its character is the more serious in that it has become chronic. The number of unemployed has never been as low as a million. During the year 1929 it varied between 1,165,000 and 1,434,000; in the first quarter of 1930, between 1,534,000 and 1,731,000. The total number of men and women insured against unemployment being 12,100,000, the proportion of unemployed is well over 10 per cent, of the working population. Cf. the *Statist* of April 19, 1930.**

[3] **Many books have been written on the history of the English Poor Law; a good resume of it is to be found in origgs' *Economic History of England* (London, 1914). For legislative changes since the War see two articles by Prof. H. Finer, " Le Gouvernement Local en Angleterre " and " Les Reformes du 1925-1926 " *(Revue des Sciences Politiques,* October-December 1929 and**

to Tudor times, has, since the reign **of** Elizabeth, **given** rise to many abuses. That thriftlessness which so clearly distinguishes the English lower classes from their brethren on the Continent has often been put down to it. However, in 1782, as if it were not enough to maintain workhouses [x] everywhere, the system of outdoor relief was inaugurated. This had consequences which, comparatively speaking, did not differ greatly from those of the present Social Laws. About 1830 the balancing of the Budget was endangered. The Report of the famous Poor Law Commission (1834) saved the situation.

So the history of English finance shows the extent of the danger which threatens British political economy, but it also gives grounds for hope that drastic action is not outside the bounds of possibility.[2]

January-March 1930). This excellent study will help to a better understanding of the reforms in local taxation, which were mentioned during the statement of the 1930 Budget.

[1] The term " workhouse " is misleading, for the poor in these institutions were, as a matter of fact, under no obligation to work.

[2] Charles Bastide's *L'Angleterre Nouvelle* (Paris, Alcan, 1929) fills out the subject treated in this appendix, as also those in earlier chapters.

APPENDIX B

MR. SNOWDEN—DRINK AND RACING

THE important part which the Campaign against Drink has played in Snowden's life has been mentioned several times in the course of this study. One of my friends, always inclined to give a materialistic interpretation to history, pointed out to me that the hatred of drink, common to Socialists, may be put down to political reasons. Alcohol is the morphia of the poor: it offers an illusory consolation to them in their sufferings, and, by degrading them, deprives them of the will power to pull themselves together and make new efforts. The reason why the Russian peasant remained so long a meek subject of the Czar was not due so much to the rewards promised to him in the next world by the Church as to vodka;[x] by forbidding its sale, the Emperor Nicolas gave the final blow to autocracy. Does not Mr. Snowden himself complain that drink reconciles the worker to a life deplorable from the hygienic and material point of view?[2]

For my part, without altogether setting aside political considerations, I feel that they count for very little in this case. To my mind, the origin of Snowden's hatred for drink lies in his deep interest in the class from which he springs and in his Puritanism. Anyone at all

[1] **A similar thing was said about the England of the first part of the nineteenth century. Speaking of a cruel yet amusing novel about English strolling players, Augustin Filon said: " Courage is derived partly from the bottle and partly from religion; those were the two consolations between which the English of those days oscillated "** ***(Le Thidtre anglais,*** **Paris, 1895, p. 11).**

[2] **Cf. " Ephesian,"** ***passim.***

well acquainted with English working-class conditions knows of the terrible misery caused by drink right up to the end of the nineteenth century. Swallowing up a large part of their wages, it made thrift impossible, poverty chronic and old age hideous. It was a source of constant tragedies, including the accidental deaths of infants suffocated in the night by parents coming home to bed in a state of intoxication; and it exposed childhood to all the temptations and corruptions of the streets. The very future of the race was endangered by the birth of degenerate children and by the bringing into the world of families too large for their parents to support.[1]

Such a state of things must have been extremely painful to anyone coming into close contact with it. Faced with it, no Nonconformist could sit with folded arms. Puritanism, with its belief in the power of the spoken word, lent him eloquence. Its ascetic character roused in him violent indignation against those accounted responsible for the evil, and especially against the well-to-do classes accused of having set the bad example.[2]

Similar considerations brought Mr. Snowden and his friends up against another curse of the EngUsh working classes: racing. This seemed to him such a diabolical institution that he would not have the Government recognise it even indirectly by a tax on betting.[3] Mr. Winston Churchill had no such scruples. In 1925 he laid a tax of 2-3½ per cent, on betting, and required that bookmakers should pay £10 a year for a

[1] **On all these points see A. Andreades, *La Population de l'Angleterre avant et aprds Ia Guerre* (Vol. I of the *Bibliotheque du Metron).***

[2] **Until about 1850 the aristocracy deserved this accusation; witness the expression *Drunk as a Lord.***

[3] **When, after the 1922 election, there was a talk of introducing a measure of this kind, so general on the Continent, he exclaimed : " Has this great country then sunk so low, are the resources from which it draws moral and legitimate taxation so exhausted, that the Chancellor of the Exchequer should think of patronising, legalising and making respectable what is, perhaps, after drink the greatest curse of this country ? "**

licence. The first of these taxes proving unfruitful was short-lived. But the tax on bookmakers survived and Sir. Snowden preferred to do without it, rather than sacrifice a principle.[1]

The measures which Snowden advocated against drink have varied with time. While he was still in the Civil Service—for even then he took part in the Temperance Movement—a strict application of existing laws and the organisation of counter-attractions to keep the workers away from the public-houses seemed to him all that could be asked for at the moment. Once in Politics, he demanded the municipalisation of public-houses, a reform which would make it no longer to the retailer's interest to encourage drinking, and which would facilitate the reduction of hours during which drink could be sold. After the War, going still further, he advocated, in addition to secondary measures, that local authorities should have the right to forbid entirely the sale of drink in their districts and that all licensed premises should be closed on Sundays.

This development is very characteristic of his methods. At bottom he has never changed; he has never drunk alcohol and has always desired to see its use prohibited. But he felt that this prohibition preached by the Temperance Societies was incapable of realisation as being too much opposed to English customs. And since, as he said, there was no high-road to abstinence, it would have to be arrived at by roundabout ways. As the number of teetotallers increased, and the Conservatives themselves took steps to buy out licences (cf. Balfour Act of 1904),[2] he felt he could lift up his voice. The introduction of Prohibition in the United States encourages him to hope for local optional prohibition. In the meantime, just as in 1891 he demanded rival

[1] **Cf. further back the summary of the 1930 Budget.**
[8] **Between 1905 and 1928, 16,124 licences were Sought out; 6793 which expired were not renewed.**

attractions to the public-houses, so in 1924 he favoured, in a practical manner, by means of fiscal reductions, non-alcoholic drinks, such as mineral waters, tea and coffee, capable of taking the place of beer or wine.[1]

It is to be wondered why he has not done more, why he has not increased the duty on spirits or that on beer. (It will be remembered that his last Budget taxed brewers but not consumers.) The question forces itself on our attention all the more since he has always regarded taxation as an instrument of fiscal reform, and as far as beer is concerned, he did, during the 1923 Budget debate, prove that the high duties on this drink had reduced the amount of drunkenness and disease resulting from it.[2]

The explanation as to beer is doubtless that it is an article of general consumption[3] possessing nutritive qualities which in the eyes of many people entitle it to more favourable consideration than tea or coffee, which are accused of being bad for the nerves of women and children.[4]

As to spirits, he has no doubt taken into account the very heavy duties laid on during the War, which, still in force, have so much restricted consumption that a considerable decrease in revenue from them is expected by the Customs and Excise for 1930.[6]

It must also be borne in mind that under the combined effect of taxation and propaganda, drinking has declined during the last quarter of a century to an extent

[1] It must have been some satisfaction for him to read in the *Brewers' Journal* of December 1929 a pathetic appeal to brewers to unite in a campaign to advertise the virtues of beer.

[2] On these grounds he opposed, at the time, the reduction proposed by Mr. Baldwin and maintained that the Government's solicitude should be directed towards sugar.

[3] In 1923 he had upheld the contrary, seeing that more than 7,000,000 persons had pledged themselves in writing not to take alcohol in any form whatever.

[4] This argument has often been put forward by the Conservatives and, of course, by the brewers too.

[5] Cf. my analysis of the Budget.

undreamed of abroad.[1] The following figures clearly demonstrate this:[a]

	Jan. i , 1905.	Jan. 1, 1925.
Licensed Premises . .	99,478	78,333-21*3%
Breweries . . .	5,001	1,453-81%
Proportion of licences to population	1 for 342 persons.	1 for 505 persons.

Between 1913 and 1928 the consumption of beer dropped by 42.3 per cent., that of spirits by 57.6 per cent., and convictions for drunkenness by 70.5 per cent. (55,642 as against 188,877).

[1] Soon, as a humorist has said, there will be as many teetotallers as drunkards in Great Britain.

[a] Cf. the volume entitled *Licensing Statistics for* 1928 (London, 1929).

CONCLUSION

ENGLISH people with whom one discusses Mr. Snowden readily make predictions as to his future. Some of them prophesy a Labour Government with an absolute majority, which, dependent not as at the moment on the good-will of the Liberals and Conservatives, but on its own extreme Left Wing, already known at Westminster as the "Mountain/' will be driven to extreme measures, as were the Liberals in 1885 and 1910, unable to remain in power without the support of the Irish Nationalists and the Labour Party. In the event of such an occurrence, Mr. Snowden, if he wishes to remain in office, will find his authority considerably weakened. Others maintain that for some time yet Labour Cabinets will be only short-lived, and that, as in 1924, voters, quickly disillusioned, will return the Conservatives again with a large majority. Others, again, foresee the possibility of a coalition between the greater part of the Liberal Party and the moderate Labour element (to-day the most important), and the formation of a Radical-Socialist Cabinet (in the literal sense of the word) in which Mr. Snowden will be the dominating figure.

Forecasts of this kind are more in place in a

political article than in an essay such as this.[1] Anyway, the economist can find enough material for positive studies in Mr. Snowden's sixty-six years of life without indulging in guess-work as to the future.

His career affords great interest, for, as we have seen, his political life is inextricably bound up with the development, the distinctive character of which is so little understood abroad, of British Socialism and British post-war finance. Moreover, a study of his career enables us to examine closely the financial policy of the two first Labour Cabinets, and to understand the reasons for the character it has taken.

Apart from this, his strong and original personality makes a singularly powerful appeal. It is surprising that a study of Mr. Snowden and his financial policy has not already been undertaken, and it is a pity that the subject has not tempted any British financial expert. I myself could have done it better justice had I been able, when writing, to have had access to the records and documents to be found in the large libraries of Western Europe. Unfortunately I was obliged to be in Athens.

As it is, I must crave indulgence for the incompleteness of this study. Notwithstanding its gaps and its shortcomings, it is, at any rate, a conscientious and purely objective work. In the absence of any guide—for, as I said at the beginning, the only biography of Mr. Snowden[2] is little concerned with

[1] **As a matter of fact, it will all depend on the attitude of the five million who gave their votes to the Liberals last year, and on what the future has in store for Mr. Lloyd George.**

[2] **That by " Ephesian," to which I am once more glad to pay a tribute.**

Political Economy and gives no references—I set to work to look through Parliamentary Proceedings, magazines and newspapers for first-hand information. Not being a Socialist myself, I have done my best to put my own theories on one side to try to understand the motives and ideas of others. I have made not the slightest attempt to interpret events so as to bear out the arguments of any School. On the contrary, I have made as full a statement as possible of the facts so that everyone shall be at liberty to form his own opinion (possibly at variance with my own), and especially so that the foreigner shall be able to obtain some idea of the situation and its bearings. The science of Finance rests on facts and figures and not on speculations and preconceived ideas.

I have not tried, I must admit, to provide entertainment for the reader. Romantic biographies are the fashion of the day. Well, Mr. Snowden's life related in the driest manner possible is a real romance. Its various phases provide incident enough. It has colour and variety enough to satisfy the most enthusiastic reader of fiction. It even contains an inspiring moral, just as those books written formerly for the young used to do. A consideration of the qualities which have enabled Mr. Snowden to overcome the difficulties which fate and his own character piled up in his path leaves one with a feeling of encouragement.. One realises that even in a society like our own, a working man's son, stricken with ill-health from his early years, can, without leaving the straight and narrow path,

and without the aid of revolutions or other social upheavals, rise to the top of the tree and remain there if, in addition to a certain requisite ability, he has the necessary capacity for work, a practical mind and honesty of purpose.

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