

matter for any employer in a service industry. But the employer who is manufacturing commodities, at the end of the accounting period, will receive his selective employment tax payment back in full plus a bonus of 7s. 6d. a week per employee. Also, the government expects to retain some £200,000,000 annually from the proceeds of this imposition.

This tax violates the basic canons of taxation. It is not equal or convenient or efficient; but revenue is not its primary purpose, that being to correct an economy grown steadily more wasteful and chaotic over the past twenty years or more. It is supposed to shake laborers out of the industries which the government considers nonessential and move them to "essential" industries.

Consumers Give Direction

In a free market economy with a sound monetary system all industries arrange their production in response to the way individuals choose to spend their money. In other words, workers are employed in industries in accordance with the demands of the consumer. Every penny spent is a vote as to which industry should expand and which shall slow down its output.

But with the kind of full employment achieved and sustained

only by continuous inflation, this monetary guide tends to fail. Hiding the first hints of unemployment in any industry under a fresh supply of irredeemable currency leaves the entrepreneur with no reliable guide as to where it is most desirable to employ labor, or any other scarce resource. The economy, under such conditions, produces many things that are absolutely wasteful and neglects the production of those that are most needed.

Consequently, the government further intervenes to correct the harmful consequences of its inflationary policy, and we have such measures as the Selective Employment Tax. The result is an aggravation of the hardships stemming from inflation and a postponing of the necessary correctives that can only come as prices and wages are freed to reflect accurately the true market situation.

In Sussex where I live, for example, there are few manufacturing industries. The shopkeepers, the hotelkeepers, the lawyers, the doctors, the dentists, the hairdressers, the gardeners, the domestics, and numerous others who render services to the community must pay this tax. Some employers doubtless will be squeezed and obliged by the tax to dismiss less efficient employees — especially the

very young and the very old. But instead of leaving their homes and migrating to the Midlands in search of a job, these persons are more likely to take unemployment pay under the National Insurance scheme. If the factories of the Midlands are to attract additional workmen, they must expand their investments. But here again, inflation discourages saving and investment, and government spending has created this additional problem that it now must try to solve.

The new tax law provides that charities such as the Salvation Army must pay the tax, but it will eventually be returned to them, so that the government is taking nothing from charity but a forced loan which pays no interest. Farming, fisheries, and transport workers are placed upon a similar footing. We can safely say that, in the hope of forcing labor into the necessary jobs, about half the country is being taxed for the benefit of the other half.

Discriminatory Powers

But the greatest danger from this tax lies in its potentiality for discrimination. By it, every industry in the country is placed at the absolute mercy of the government.

The well-known financial correspondent, George Schwartz, writing in the *Sunday Times*, puts the matter this way, "I have not the spirit or the build of a dictator, but give me the power inherent in this tax, and I would engage to make the whole economy dance to my tune. I could expand or contract industry at my will. I could alter the economic balance between regions, sexes, and ages; I wouldn't care who owned what. All private property would be under my sway."

Mr. Schwartz is quite right. Any government which can impose a tax of 25 shillings on one industry and a subsidy of 7s. 6d. for the benefit of another can easily quadruple the penalties and benefits and do what it likes with industry.

This much is certain, that wherever you have money which can lose its value by inflation you will eventually get a chaotic economy with nothing to guide its production. Sooner or later, the government is likely to intervene with corrective weapons which belong to a socialist dictatorship — the inevitable consequence of continued inflation. The only appropriate corrective is a sound monetary and fiscal policy — plus faith in freedom. ♦