

# PARLIAMENTARY DEBATES—FINANCE BILL

(Considered in Committee—5th June.)

Mr NEIL MACLEAN (Labour) had on the agenda paper amendments to bring the Land Value Tax into operation in a later year. These were ruled out of order, as requiring a financial resolution.

Sir GERALD HURST (Conservative) moved an amendment to repeal Section 28 of the Act of 1931 which requires the delivering of particulars of sales and leases of land to the Inland Revenue and is the only section which is being left in operation.

In my submission it is a source of danger so long as any of this machinery is retained because it makes it easier for a Government which looks on this question from a Socialist point of view, without regard to the well-being and needs of the country, to reintroduce this unjust tax.

Mr KNIGHT (National Labour): The hon. and learned Member has described this machinery and proposal as Socialistic. Is he not aware that it gives effect to proposals which have been supported by almost every municipal corporation during the last 40 years?

Sir G. HURST: Some of them may have supported it; if they were ill-advised they have supported it.

THE CHANCELLOR OF THE EXCHEQUER (Mr Chamberlain): The reason for the retention of Section 28 is that the information which the Valuation Department is able to obtain is of first importance in saving public money, and when I tell hon. Members that during 1933-34 the Inland Revenue Valuation Department valued property of an aggregate value of £133,000,000 for the purpose of assessing Death Duties and Stamp Duties, and property of an aggregate value of £27,000,000 for the purpose of advising other Government Departments in relation mainly to land requirements, either by the Government or by local authorities, it will be seen that figures of great magnitude are involved. In the process of valuation it is, of course, necessary that the Government valuer, or those who represent the Government, should be able to produce evidence of the current market value of land in different parts of the country. Unless they have that information at their disposal they must necessarily be placed at a great disadvantage as compared with the representative of the landowner who, of course, has that information at his finger-ends.

Amendment negatived.

Mr NEIL MACLEAN (Labour): I challenge any Tory Member to say that he fought his election in 1931 on a proposal to repudiate and revoke the Land Tax.

Mr MICHAEL BEAUMONT: I made it plain in speeches during my election that in no circumstances would I support a Government unless they were likely to repeal these taxes.

Mr WILLIAM ALLEN: I did exactly the same.

Mr MACLEAN: I made a challenge in 1931 when the National Government was first formed, after the Election, regarding statements in the election addresses of hon. Members opposite.

Mr M. BEAUMONT: I stood as a supporter of the National Government and I made it plain, not in my address but in speeches, that I demanded the repeal of these taxes.

Mr MACLEAN: I challenged any Tory who had stood at the 1931 Election to state that in his election address he advocated this repeal. The hon. Member for Aylesbury (Mr Beaumont) admits that he did not put it in his election address but merely made statements in his speeches. A lot of speeches are made which are not recorded.

I am speaking, I hope, for the great majority of our supporters in the country, who still number millions and who are becoming increasingly numerous, in saying that when the next Labour Government comes in, after the defeat of this Government at the next General Election, these things which are being repealed by this Government will be brought forward again; and if I have any influence in that Government I shall see to it that anything that has been lost by the action of this Government is added to the very first instalment called for under the new land taxes in the Labour Budget.

Sir F. ACLAND (Liberal): Nobody can go about the country in any capacity without being convinced of the necessity of keeping and using the power of taxation of land values. It is quite extraordinary, as anybody with eyes to see surely must recognize, how quickly developments are happening and how the lack of taxation of this kind is hitting the public interest day after day, and in a very serious way. Is it from that point of view a disaster that legislation constructed with so much trouble and after so much controversy and difficulty should now be swept away? One sees industries moving from the north of England to the south, new coalfields developing in counties like Kent where it was not suspected a few years ago there was coal, and tube railways being pushed out from the big towns in a night almost—they decide where their new stations

are to be, and land which is worth £100 an acre one day becomes worth £1,000, £2,000 or perhaps £5,000 an acre next day. One sees new roads and new electric cables adding to the value of land almost daily, according to the very rapid development that we have been making, but the nation does not get back one farthing of the added value, which is all passing almost automatically into the pockets of the private individual who happens, by good fortune, to own the land. That is a scandal which the owners of the land can hardly justify.

I am bound to say for myself that, in a very small way, I hold a little of this sort of land; I wish I held a lot more. It seems to be altogether wrong, when I pass, as I do about four times a week, through a few fields of mine four or five miles from Exeter—they have an agricultural value because they are used for agricultural purposes—that slowly but surely that land is getting more valuable, not because of anything that I am doing, but because Exeter is going out in the direction of my property.

It is a most sinister triumph that we have been shown this evening by the action of the Government, of private selfishness over public good. We have done nothing at all, in spite of the efforts that were made in 1909 to bring the principle of the taxation of land values into effect, now that the efforts made under previous Governments are to be finally swept away. As was stated by an hon. and learned Member, practically all our great municipal bodies, who are by no means all of a Labour complexion or anything of that kind, have passed resolutions over and over again on this matter. Wherever the principle has been carried out by foreign countries or by our Dominions it has worked well, and has brought in useful revenue to them. This is simply a ramp on behalf of private land interests against the public interest, and I am ashamed when I feel that all this good work, which seemed to give promise of leading up to a real enactment of a system of land taxation, should be swept away.

Lord EUSTACE PERCY (Conservative): What are the arguments in favour of any form of taxation of land values? They are, I think, three. One is that land should contribute its full share to the revenues of the State. The second, no doubt closely connected with it, is that increment arising out of public activities, or at any rate out of activities having no connection with the landowner, should, in part anyway, be paid over to the State; and the third is not really a taxation question or a question of social justice at all, but the desirability, as a matter of planning expediency, of forcing land which is ripe for building into the building market.

These are three perfectly clear considerations. So far as the first two are concerned—I say frankly that I am expressing only my personal view—there is very little difference between my attitude and the attitude of any Member of the other side of the House. I accept the principle that land should pay its full share, which has to be assessed on a number of considerations, to the revenues of the State, and that increment arising out of public improvements, and possibly out of other automatic developments, may properly be specially taxed by the State. In doing so I am voicing principles which I learned in very Tory circles when I was young, and am also voicing principles which have been accepted by the whole Tory Party and by the whole of the supporters of the National Government within the lifetime of the present Parliament.

The third consideration has completely changed in the last 25 years. The old 19th century idea that the one great act of public spirit that any landlord could perform was to offer his land for the building development of the jerry-builder who was building for the industrialist population in the big towns has faded out within the last 25 years, and within the last 10 years we have begun increasingly to realize that my right hon. Friend the Member for North Cornwall may be performing the most essential public duty in preventing those fields of his from ever being developed for building, either now or in the future. Of course, if he intends to develop their building value, I quite understand that he should not object to paying some small taxation, with all the protections devised by Lord Snowden, during the interval. But suppose that he considers it to be rather his duty—and I fancy it is a very arguable question in Exeter, as it certainly is on the outskirts of many towns—that that land should not be developed for building, is it desirable, speaking now from the landlord's point of view, that the fear of taxation should drive that land into the building market when the landlord otherwise would not have put it in?

Therefore, I shall certainly support this Clause in the Finance Bill.

On the other hand, I think it is peculiarly the duty of a National Government, faced by a situation of such confusion as our land taxation to-day, not to be content with mere repeal of an additional element of confusion, but to tackle the problem constructively.

Mr WEST (Labour): Perhaps the most astounding thing is the attitude of the Government towards Lord Snowden. I

think he was the principal architect of this scheme of land values. He put most of his life's work into it. I should like to read what he said on the Third Reading of the Finance Bill in 1931:—

"The principle underlying this Bill is to assert the right of the community to the ownership of the land. The party for whom I speak have always put the question of land reform in the forefront of their programme. Although I may not live to see the step that we have taken this afternoon advance still further, at any rate I submit this Bill to the House of Commons with the satisfaction that I believe we have begun a far-reaching reform which some day will liberate the land for the people and abolish once and for all the tyranny under which the people in this country have suffered."

I do not want to prophesy, but I feel certain that after the next election we shall have a Government which will bring in a much more vigorous form of land values taxation and a Measure which will make hon. Members opposite very much regret their action to-night.

Mr KNIGHT (National Labour): I think it (the repeal) has certain practical consequences which I want to describe. First, in the necessary acquisition of land required for public purposes, there will not be available a valuation which will prevent taxpayers and ratepayers being called upon to pay extortionate prices. What sort of effect will that have on the general body of taxpayers and ratepayers, out of whose pockets those values are paid? The second result is this: When land has to be acquired, why should not the man who owns the land whose wealth has increased as the result of national or municipal expenditure contribute towards the cost which the public authority has to pay for the land?

The third case is that of the occupier of a house, who at present has to pay the full rates and taxes required for the occupation of that house, and the man who owns the site of the house contributes nothing to the municipality whose expenditure largely creates the site value. Those are actual, practical illustrations of what is going to happen in the absence of a valuation. I am bound to say that in my view that is not giving effect to the commission that this Government received, and I am afraid that in the days to come the support which may be received by them will diminish if this sort of policy is persisted in.

Mr MANDER (Liberal) moved to report progress in order to give the Prime Minister an opportunity of being present. The Committee divided: Ayes, 65; Noes, 251. Original Question again proposed.

Mr BERNAYS (National Liberal): A serious problem is involved in land values. They are in many cases rising to staggering heights. I had a vivid picture of that during the last week-end, when I visited Stanmore, which I remembered from my boyhood years and which is now being swallowed up by Greater London. Ten years ago Stanmore, which is only 10 miles from the Marble Arch, was in the depths of the country, and agricultural land was then worth something like £20 an acre. First of all the railway, then the motor-omnibus, then the arterial road, and now the Metropolitan have made these pleasant fields what the building speculators call "ripe for development."

What has happened? The land, instead of being worth £20 an acre, agricultural value, is fetching anything from £500 to £1,000, up to £1,500 an acre. Owners of derelict and waterlogged land, business men with unimposing country estates, butchers with their few acres of agricultural land, are all in now on the building boom. They are making profits undreamed of. I cannot see that there is anything unfair in making them contribute out of their profits a penny in the pound to the community. Nor can I understand why the Conservative Party should be so fierce in their opposition to this proposal. In the interests of fair taxation why should a professional man have to pay 4s. 6d. in the pound Income Tax, or a rich man as much as half his income in taxation, and these landlords be able to reap their harvest, which in many cases they have not sown, without any additional impost upon them? It is argued that taxation of land values will never work, that it never has worked. It has worked in the Dominions; it has worked in the United States; it has worked in several European countries. Surely, it is not beyond the capacity of British statesmanship to make it work here!

On no fewer than six occasions the Bill to tax land values passed a Second Reading in this House. Six hundred municipalities have petitioned in favour of it, and I suggest that the Government have no right to drop this tax. The policy was not an issue at the last election. If it had been, we might never have had the very powerful support of Lord Snowden. I agree that the value of that support must have been worth something like 100 seats to the National Government. If the Government decide to scrap these land taxes, at least they ought to put something in their place.

This is the first time, since I separated from my hon. Friends,

that I have ventured to attack the Government, but I felt that I could not sit silent to-night and see land reform, which I regard as urgent and long overdue, recklessly scrapped, without anything being put in its place, merely because the dominant section of the Coalition says it must go.

Sir G. COURTHOPE (Conservative): We have listened to a very interesting, very able but very surprising speech. I should be largely in agreement with it if the tax which we are discussing was a tax upon increment values. It is not.

There has been tremendous relief since the announcement of the Chancellor of the Exchequer in the Budget Speech. The interests concerned with the business and management of real property are profoundly grateful to my right hon. Friend. It will be a relief to agriculture and industries of that kind.

Mr DAVID GRENFELL (Labour): The Noble Lord (Lord Eustace Percy) must have lived in a very strange country; he does not know the conditions in the industrial areas and the environs of those areas if he claims that there has been, at any time, an outside or external influence driving unwanted land into the market for building houses. I live in a part of the country where a large number of houses have been built in recent years, and I never knew of any unduly cheap land having made its appearance on the market. My experience, and the experience of housing authorities in all parts of the country, has been that cheap land is difficult to get.

Major Sir ARCHIBALD SINCLAIR (Liberal): I would say briefly that on the question of the taxation of land values there are three main propositions, none of which is affected by the economic situation during the last 30 years, to which the Noble Lord drew the attention of the Committee. The first proposition is, that site value is created not by the owner of the land but, apart from special circumstances as to the nature and situation of the land, by the growth of population, the development of industry, the extension of public works, and so on.

It is said that a great many public spirited and enterprising individuals by the expenditure of capital have greatly developed the land within their own control and that the development is entirely due to them. That cannot be true in hardly any case. I have in my mind an example of the exact opposite in regard to a certain village in the Island of Harris, where the late Lord Leverhulme spent tens of thousands of pounds upon the development, but nobody followed him. The fishermen did not go. The fishermen did not choose to fish from there. The result is that there has been no increase in the value of that land. Therefore, it is clear that the contribution of the community is an essential one in the improvement of the value of the land.

In the second place, the amount of land cannot be increased. That is what differentiates it from other commodities. The critics of land value taxes often say that rubber, cotton, boots and other goods depend for their value upon the action of the community which buys those necessary articles. In those cases, as the population increases the value of those goods does not increase but tends to fall. As the demand increases so the supply increases, but the supply of land cannot be increased, because it is a fixed quantity. The value of the land may fluctuate. In some parts of the country the land values may stand still for a time, and in very remote parts of the country they do not increase, but, taken by and large, with the exception of a very few remote corners of the country, they go on steadily expanding and increasing year after year, without any active steps being taken by a landlord, unless, of course, the individual landlord happens to be enterprising and develops his property. Without the necessity of any action being taken by the landlord these fruits fall into the lap of the landlord.

My third proposition is this: If site values are taxed and the burden of taxation is removed at the same time from improvements, a double stimulus is given to industry and development of all kinds. On the one hand the penalty for holding up land becomes taxation and the access of the community to the land is rendered easy on fair terms, while on the other hand the reward of development becomes relief from taxes and rates.

I certainly say that they (the clauses to be repealed) are workable, that they provide a valuation which is the indispensable basis for any action in the direction of land taxation at all. Certainly I think that this House should take a firm stand on the question of preserving the land valuation clauses, which must be the basis of any such constructive action as the Noble Lord the Member for Hastings and other speakers have asked for to-night.

We will be no party to the betrayal of the Prime Minister's policy. Equally we shall oppose at every stage this foolish and narrow party manoeuvre.

(5th June)

Mr CHAMBERLAIN: I am here now to speak on behalf of the National Government—and on behalf of all the Members of the National Government—and to explain why we have introduced this Clause into the Finance Bill.

Representations were made to us, which we could not neglect, as to the fact that this proposal, still remaining on the Statute



Book, was actually interfering with the flow of credit into the land—was actually preventing or hindering the operations of landlords for the improvement of their property which it was in the interests of the country that they should carry out. I say that it would not be right to leave upon the Statute Book, until the Government are prepared to bring in a scheme of their own, proposals which are interfering with the due development of property to-day, and that it was therefore our duty, as realists, to remove this obstruction and to leave the site clear and unencumbered for the future.

Sir S. CRIPPS (Labour): This section being passed is a token section, showing the behaviour of the National Government rather on the whole approach to the problem of combined action, than the particular problem of land values. It is perfectly true, as the Chancellor of the Exchequer says, this particular method would not, in the first instance, have produced any amount of revenue. But it could have been increased in the next Budget, up to 20s. in the pound. That should have been the course taken.

#### REPORT STAGE (18th June)

Sir R. HAMILTON (Liberal) moved an Amendment.

The object of this Amendment is to retain the whole of the Sections of the Finance Act of 1931 which provide for a valuation of land to be made. What we are asking the House to agree to is the retention of the Sections which deal particularly with and provide for the valuation of land.

Sir P. HARRIS (Liberal): Even at this eleventh hour I hope the Government will be able to give us, if not some assurance that this valuation should be kept in being for future use, some promise that the Chancellor has in mind the provision of a form of valuation of the land separate from its improvements. The Liberal Party throughout the country has for years been unanimous on the matter. I challenge any Liberal Member, whether he belongs to the Government or is a supporter on the opposite side, to get up and say that the Liberal Party in his constituency is not in favour of valuation and the principle of land taxation. It has been a cardinal principle of the Liberal Party for the last 30 years. It is something that we have worked for and believed in, and to which we attach the greatest importance.

Great play has been made by various interests with the argument as to the difficulty of making a valuation of the unimproved value of land, but such a principle has been in practice for years in almost every part of the British Dominions. In New Zealand and Australia, particularly in Sydney, they have been able to devise schemes which have worked effectively, have caused no injustice and have presented no exceptional difficulties. It is interesting to find Tory after Tory in favour of some form of land taxation in theory, but always opposed to any kind of land taxation in practice.

I suggest that in these difficult times, with so many economic problems to solve, at any rate the machinery of valuation should be set up. It is, after all, a machinery Clause which we are anxious to retain; it is the Clause which provided the organisation to value the land, so that if any Government or local authority wanted to deal with the value created, there should be the machinery in existence to deal with it. The plea put forward, with some reason, two years ago was that valuation was a costly business, and that in the state of the national finances economy was vital, and to secure that economy it was wise to suspend the operation of this expensive machinery. That excuse no longer holds good, and I suggest that the Government have a responsibility to face up to this question. The local authorities are clamouring for something to be done in this direction, because this value is required not merely for the purpose of the State and taxation, but is asked for by local authorities who desire to see a fairer distribution of the rate burden.

Only in 1930 the Middlesex County Council, by no means a very progressive body—I think it is fair to say that it is generally Conservative in character—passed, by a majority of 39 to 20, a resolution that in its essence required some form of valuation of the land apart from the improvements. It is pointed out that during the previous 10 years no less a sum of £6,000,000 had been spent on creating some 70 miles of roadway, that the owners of the land who had frontages gained the free gift of £1,750,000 by being saved the cost of road making, and at the same time it was estimated, by a careful calculation, that these 70 miles of roadway had added some £13,500,000 to the value of the owners' property jutting on these new roads.

Mr CHAMBERLAIN: The Liberal Party has put down an Amendment maintaining the present system of valuation, but leaving in complete doubt what system of taxation was to be imposed on that system of valuation. You cannot separate the system of valuation from the precise form of taxation you intend to found upon it.

If we are not going to deal with the tax we had better leave the valuation as well as the tax for those who are going to impose the tax, and who will know what kind of valuation they want in order to found their tax upon it.

Sir S. CRIPPS (Labour): I do not agree with the right hon. Gentleman as regards the connection between valuation and taxation. If the valuation is a proper one it can have no connection with the sort of tax that is going to be imposed. I cannot believe the right hon. Gentleman thinks that any Government would "wangle" the valuation to suit the types of taxation it wants.

There is only one true and proper basis for valuation, irrespective of what is the tax to be afterwards imposed. The basic value of the site must be arrived at by the best means available, and that is only a question of threshing out what are the proper matters to be taken into account, as was threshed out in this House three years ago. The valuation is being dropped because the Conservative Party do not like it. They made it quite clear, when it was going through the House, that at the earliest opportunity they would repeal it—they said so—and this is their earliest opportunity. That is the truth of the whole matter.

Mr CURRY (Liberal): The reason why this valuation Clause is being deleted from our laws is that the Conservative Party have become dominant in the National Government and are determined to entrench the landed interests behind them. Otherwise, what is the reason for the abolition of this valuation?

The Amendment was defeated by 48 to 222.

#### THIRD READING (23rd June)

On the motion for the Third Reading an Amendment was moved by Mr Morgan Jones for rejection of the Bill and further debate on the Land Value Tax took place. The Amendment was defeated by 220 votes to 29.

#### HOUSE OF LORDS (3rd July)

On the Second Reading of the Bill, Viscount Snowden made a trenchant exposure of the Government's action in a speech we will report next month.

### RESOLUTIONS OF PROTEST

Nelson (Lancashire) Town Council at its meeting on 12th June passed the following resolution, which was moved by Councillor Titherington in an able speech, in which he gave many examples of land monopoly:—

"This Council regrets that proposals are contained in the Finance Bill, 1934, for the repeal of the Land Value Tax provision of the Finance Act, 1931. We believe the valuation to be made under that Act would have formed a basis for arriving at a fair purchase price for land for housing and other needs of public authorities. It would also have been of immense benefit if and when it were decided to rate land values in order to give relief to dwelling-houses, business premises, etc., of a part of their present burden. We call upon the Government to seriously consider the whole position before finally repealing the provisions of the 1931 Act."

A resolution on somewhat similar lines was passed by Colne Valley Labour Party. Among other Labour Parties which have expressed themselves in this way are North Croydon and Westhoughton.

Greenock Co-operative Party passed a resolution from which we may quote the concluding portion: "The Taxation of Land Values as the means to solve the problems of unemployment and poverty is more urgently needed than ever."

"The issue now raised in acute form calls for a determined agitation to reverse this set-back to democratic aspiration, and to place in power a Government free from the trammels of privilege and monopoly, which will take drastic and energetic steps to put into operation the Taxation of Land Values with the least possible delay."

Scarborough Liberal Association passed a resolution stating that it "registers its emphatic protest against the unwarranted decision of the Government to repeal the Land Value Tax and urges them to regard the taxation of land values as a means of relieving local rates and helping to solve the problem of unemployment and poverty."

Other bodies passing such resolutions which we have noted in the Press include the Hendon Liberal Association, North Islington Liberal Association and Leicester Co-operative Party.

### FORM OF BEQUEST

*I bequeath (free of duty) to the United Committee for the Taxation of Land Values, Limited, the sum of £*