

LAND VALUES

SUPPLEMENT.

Extracts from Debates in the House of Commons on Local Rating, and on Sir Griffith-Boscawen's Housing of the Working Classes Bill.

APRIL, 1912.

DEBATE IN THE HOUSE OF COMMONS ON LOCAL RATING AND LAND VALUES.

MR. WEDGWOOD'S RESOLUTION.

Wednesday, 6th March, 1912.

Mr. Wedgwood : I beg to move, "That, in the opinion of this House, the present method of raising local revenues ought to be changed, inasmuch as it unduly favours some ratepayers and unduly penalises others, obstructs industry, causes unemployment, and prevents the healthy growth of our cities, towns, and villages; and this House further declares that local authorities should be given the power of raising local revenue in such a way that the existing obstacles to the employment of labour and capital are removed, and rates imposed instead on the value of the privilege enjoyed by those who benefit from the performance of public services, namely, upon land values."

In moving this Resolution I am bringing forward one of the points emphasised in the Memorial sent by 177 Liberal and Labour Members to the Prime Minister and the Chancellor of the Exchequer last year. There were two main points in that Memorial, one was to obtain relief for the local ratepayers in the bearing of these burdens, which are really national in character, by a uniform tax upon land values. That I do not wish to touch to-night, although it has an intimate connection with the Resolution on the Paper, and the Resolution on the Paper would not be complete without some such general reference to land value for the relief of local rates. The Resolution gives to all local authorities the power, if they choose to exercise it, of levying rates upon land values instead of upon land and buildings together, instead of upon the annual value of the combined hereditaments. This question of giving additional powers to local authorities to levy rates upon land values is of exceptional importance at the present time, because the Town Council of Glasgow have recently passed a resolution upon this subject, and have circulated that resolution to all the local authorities in the country, including boards of guardians, with over 10,000 population, with the result that resolutions have been passed by local authorities here, there, and everywhere, and the resolutions have been forwarded to the Chancellor of the Exchequer and local Members of Parliament. The question, therefore, is very much alive at the present time in the local Press, and it is all-important that this House, too, should discuss the question with a view to seeing that the change is both just and in the interests of the public.

The Resolution draws attention, in the first place, to the inequity of the present incidence of the rates, and you cannot have the inequity of the present system more perfectly exemplified than by the case of the different parts of London at the present time. In the year 1910 the poor rate in Poplar amounted to no less than 3s. 5d. in the £, while the poor rate in the parish of St. James', Westminster, amounted to a penny in the £, as against this 3s. 5d., and in the City of London to decimal '41 of a penny in the £. There you have an extraordinary difference in the incidence of the present rates, the poorest districts having a heavy levy to pay, and the rich districts the

smallest rate to pay. The fact is that these heavy rates borne by the poorer districts are becoming an overwhelming burden upon those districts. The people working in the city work in places where the rates are low and land values high, and they go back to sleep in these districts where the land values are low and the rates extortionately high. One of our chief objects is to readjust that, to equalise rates upon the only fair system by calling upon those to contribute who enjoy land value made by the people's work. Then as to the inequity as between persons, we have another striking example from London. No. 7, Aldersgate, in the City, a site of 10,000 square feet, is rated at £2,677 a year, whereas the next shop, No. 4 and 5, a site of 12,700 square feet, is rated at nil, because there are no buildings upon it, yet the land value of both these sites, whether built on or not, is maintained and created by the expenditure of public money in the shape of rates and by the work of the community. We maintain that is inequitable as between both those owners, and that both those owners should contribute to the rates according to the benefits they receive themselves, according to the land value which the rates and public created for them.

Therefore, the proposal we put before the House is that there should be a change in the standard whereby rates are levied, and in making this proposal we are merely following out the Report of the Select Committee on the Land Values (Scotland) Bill, which reported in 1907, and which sat under the chairmanship of the present Lord Advocate. Upon that Committee there sat, not only the hon. Member for Holborn (Mr. Remnant), whom I see opposite, and who, I believe, is going to oppose this Resolution, but also the right hon. Gentleman the Member for St. Rollox Division (Mr. McKinnon Wood), who is now in the Cabinet, and several other distinguished men, such as the present Lord Dewar. The Committee reported exactly upon the lines that we are proposing this Resolution to-night. They desired to set up a new standard of rating, and I will read the exact words from the Report of the Committee:—

The setting up a standard of rating whereby the ratepayer's contribution to the rates is determined by the value of the land which he occupies apart from buildings or improvements upon it, the object being to ensure the ratepayer's contribution, not by the value of the improvements on the land to any extent, but solely by the yearly value of the land itself.

And they went on to say that they were going—

to select a standard of rating which will not have an effect of placing the burden upon industry. Hence the proposal to exclude from the standard the value of buildings, erections of all kinds, and fixed machinery. To include these in the rating tends to discourage industry and enterprise: to exclude them has the opposite effect.

And they gave as a justification for the adoption of the new standard of rating the fact:—

that land owes the creation and maintenance of its value to the presence, enterprise, and expenditure of the surrounding community.

So that they laid down quite wisely, not only the expedient results which were bound to follow from the taxing of land value, but also the justification in that it was recovering for the public that value that public created. One other quotation from the Report:—

If the value of bare land, apart from improvements, be chosen as the measure by which to fix contributions to local expenditure, the ratepayer will be merely restoring to the exchequer of the local authority part of that which he has derived from it.

There you have in the clearest language the considered Report of the Select Committee representing both sides of the House, and presided over by a distinguished lawyer. I do not think that any words of mine can possibly improve or make clearer the objects they have in view or the justification of the Report they make. What I want to do is to get the House to endorse the Report of that Committee, and thereby urge upon the Government the adoption at the earliest possible moment of legislation which will have the effect of translating this Resolution into law, giving local authorities the power they do not possess to rate land values, and to exempt from rating all buildings and improvements upon the land. An Amendment is to be moved to this Resolution by the hon. Member for Holborn (Mr. Remnant), who has strongly opposed the Taxation of Land Values, both in season and out of season, just as I have supported it. The hon. Member for Holborn opposed this system of rating of land values during the Conservative Administration of 1900 just as he does now, but it is noticeable that under the Conservative Administration of 1900-6 he had behind him by no means the unanimous support of the Conservative party of that day. A Bill was introduced Session after Session and was carried in that Conservative House by increasing majorities as years went on. I think no less than thirty-five Members of the Conservative party voted in favour of the rating of land values, and it was ably supported in the House and outside by the hon. Member for West Toxteth and the hon. Member for the Everton Division of Liverpool, by the late Sir G. Bartly and Sir Albert Rollit.

I do not think the Conservative party are solid in their opposition to the rating of land values, or to giving local authorities the option of rating land values. Ever since the Budget of 1909-10 we have had statements from responsible members of the Conservative party supporting the rating of land values as opposed to the Taxation of Land Values. I hope we shall have to-night from some Conservative Member representing the Liverpool district some support for the principle which the Members representing Liverpool supported in the old days, and which circumstances still demand they should support with even greater emphasis than they did ten years ago. If the conditions of housing were bad ten years ago they are worse now, and if the conditions of Liverpool was unknown then to the general public it is better known now. The only way to improve housing satisfactorily is to take the taxes off houses, and make the building of houses as free as possible. I wish to emphasise this appeal to Conservatives by putting to them the statement, first of all, of the right hon. Gentleman the late leader of the Tory party; and, secondly, a statement made by the Noble Lord the Member for Hitchin (Lord Robert Cecil). The senior Member for the City of London (Mr. Balfour) speaking on 17th November, 1909, at Manchester, after the Budget had been introduced, said:—

Taxation of Land Values for rating purposes is legitimate if it can be shown that the land or the values which you desire to rate are values which are not paying their fair share of the local rates. . . . The Taxation of Land Values is really no interference with security—it only means that that which does gain by the rates should contribute to the rates.

At the present time we have before us a proposition to spend £875,000 of the ratepayers' money upon making the great new avenue to the west of London by the extension of Cromwell Road. It is true that the Government and the

Road Board Fund is finding £875,000, and the ratepayers are also called upon to pay another £875,000. As every business man knows perfectly well, after declaring that such a road will be made, and that the Government is prepared to find money for the creation of it, the immediate result is to increase the value of land not only along the line of route, but also over the vast district tapped by the new road at its extremity. This is an obvious case where the expenditure of ratepayers' money will increase the value of land, and surely, if ever there was a case for the rating of land values this is one. The Noble Lord the Member for Hitchin is known as an economist, and this is what he says:—

You have already the principle that land contributes to the local rates, and the question is whether the rates should be levied upon the improved value or upon the site value. This is a fair subject for discussion, and I do not think anyone would suggest that the alteration from improved value to site value is Socialism, or any extravagant or novel proposition.

I cannot, of course, claim the Noble Lord as a supporter of mine, but I can claim him as a fair supporter of a system which involves change. And as justifying that change, both these points are made clearly in the Report of the Select Committee presided over by the Lord Advocate which I have read to the House. There are other Amendments down in the names of Members of the Conservative party voicing the usual Conservative way of shelving the issue by pleading urgency. Hon. Members opposite know there is no arguable case against this change in the basis of rating, but they argue very speciously that the valuation under the Budget of 1909-10 is not complete and cannot be complete until 1915, and, therefore, they say something should be done immediately to relieve the immediate difficulty, knowing full well that anything which is done will prejudice the case and make it more difficult to bring about this change in the basis of rating satisfactory when the valuation is completed. The only answer of hon. Members on this side of the House is that the valuation must be hastened and must not be allowed to go on until 1915. The valuation is going on at the present time, perhaps at a slightly accelerated pace, but no hope has been held out, and under the existing system I do not think any hope can be held out to us that there will be any great anticipation of the date which has been mentioned, namely, March, 1915.

The real point which I and the 170 hon. Members who signed that Memorial wish to urge upon the Government is that this valuation should be simplified, and thereby the date when it should be completed would be anticipated. We do not want the buildings, machinery, and factories valued, but we want to get the full site value, and if we only ask for the full site value, and if the valuers only seek to obtain that, we shall get it in six months instead of four years. You want to simplify the system of valuation, and if the Government are seriously going to support us in this question, the only satisfactory answer they can give to the ratepayers and hon. Gentlemen opposite is to show that they are going to hasten this valuation. We had a promise from the Chancellor of the Exchequer last year extracted by the hon. and gallant Member for Chelmsford (Mr. Pretyman) that there would be some sort of inquiry into the existing system of land valuation and land taxation to see if the present system could not be simplified. The present system can be simplified by leaving out all questions as to improvements. The question of taxation can be simplified enormously if we drop these irritating and unsatisfactory taxes like the Increment Duty, the Reversion Duty, and the Undeveloped Land Duty, and go for one straight tax on land values. You are merely making difficulties and making hard cases by persisting in these extremely unsatisfactory half-way houses towards taxation. What we want, what the people in the Land Union want, and what all property owners want is a perfectly simple and straightforward tax, and for that we only want a simple and straightforward valuation. I want to remind the Government that any remission of rates whereby the money is found out of the Consolidated Fund, or out of the pockets of the general taxpayer, is really a present to the landlord at the present time. It is merely an extension of the Agricultural Rating Act of 1896. It is a reduction in rates coupled with the increased taxation

of the whole community, and it is going to be of no assistance to the community in the long run. I will quote, in support of my statement, the view of Professor Marshall, after all the leading economists at the present time in the country, if not in the world. He says in his evidence before the Royal Commission, reported in 1901:—

Any remission of rates on agricultural land would be a present of public property to the owners, a small part being caught by the farmers on the way.

That is the view of our leading economist, and it was the view also of every Liberal statesman in 1896, when this Agricultural Rating Act was before the country. I think it is necessary to remind the Government of it at this day, when all these different suggestions of assisting the ratepayer are being made. There is only one honest way of assisting the ratepayer, and that is by raising the money to provide the relief by a uniform tax on land values. I hope the Government will give the Resolution their support. I believe from the point of view of the Liberal party it is essential they should take up sound Liberalism such as this: the relief of industry from taxation and the breaking down of monopolies. Along these two lines Liberalism will prosper in the country, and so will the country prosper under such Liberalism.

Sir W. Byles: I have risen to second the Motion ably moved by my hon. Friend and redoubtable advocate of the cause that he has been pleading. The subject is one not only worthy of discussion in this House, but one which calls for a speedy remedy. There is a pressing need for a speedy remedy. In the borough of Salford, which I have the honour to represent, we have a population of 235,000 or so, mostly poor people, and our rates are 8s. 10d. in the £. There are many grosser cases than that. Our poor rate alone is 1s. 10d., although we are singularly fortunate, because, besides the benefit of old age pensions which we enjoy, we have the advantage of a very rich charity, Booth's Charity, which brings in £18,000 a year, and which is distributed to the poor of Salford. The land from which that income is derived was left by a Mr. Humphrey Booth two or three centuries ago.

Mr. Booth: There are two of them.

Sir W. Byles: The land then brought in £19 a year. Now our income is £18,000 a year. Notwithstanding this large charity and old age pensions our poor rate is 1s. 10d. in the £. This weighs very heavily on our poor people. Manchester, of which we are practically a part, has in one area demolished a lot of cottage slum property and has built large warehouses, which of course have a much higher rateable value. The effect of that has been to pull down the poor rate in that area 1s. in the £. It is at any rate 1s. in the £ less than we have to pay in Salford, but the poor who were housed in that area of Manchester have come to live in Salford. Therefore, we have not only a much lower rateable value, but we have many more poor to keep. The poor rate is only one of several national services which have been imposed by Parliament upon local authorities. The incidence of these charges, many of them new or increased charges, falls very unequally on different rating areas. The Royal Commission in 1901 distinguishes between national and local services, and quotes the poor rate, the education rate, and the maintenance of main roads as services which are national. The cost is thoroughly unequal owing to the fact that the rateable value of these different areas varies so much. This affects poor boroughs much more than rich boroughs. I may mention as one example the difference between Manchester and Salford. The rateable value per head of population in Manchester is 6.48 per cent., and in Salford it is only 4.26 per cent. The duties we have to discharge are practically the same in proportion to the population, but the effect upon the rates is very unequal as against Salford. One might take another illustration, referring this time to education and not to the Poor Law. In Bournemouth the education rate is only 9½d., whereas in Salford it is 1s. 7½d. This difference is due to the greater rateable value per head of population. There are far fewer children in richer towns like Bournemouth to educate than in poor towns like Salford. Therefore, we have greater obligations imposed upon us with a much lower rateable value, and the Exchequer Grants-in-Aid which we are supposed to receive should be in the inverse ratio to that which they are at present. They

should be less to the rich and more to the poor district. The power to rate land values is most important. New sources of revenue are necessary. Very large sums are taken away every year from our borough: wealth which is created by local industries is taken away by persons who contribute nothing whatever to its creation. Tens and hundreds and thousands of pounds are taken away from the borough of Salford every year by large landowners, by noble lords and great ecclesiastics; it is wealth which has been created by the citizens of Salford, and it is taken away by those who contribute nothing towards the great municipal developments which are enriching them. This is a monstrous and gross injustice which Parliament ought to set to remedy. I do not want to speak ill of the landlords. I have no doubt, if I were fortunate enough to be a landlord, I should act in the same way as they do, but it does always seem to me that the system is wrong, and the rent receiver and the rent payer should in justice change places. We have to live on the land, and the man who takes a piece away and encloses it should pay for the privilege. But it is much less than that we are asking for to-day. At any rate, we are only asking for a contribution. I hope we shall go on. If you tax houses you make them dearer; if you tax land you make it cheaper. The one leads to scarcity; the other to plenty. In proportion as you put it on to the land and take it off the houses the result is more houses and more land. You get both an increase of houses and of land—I mean, of course, available land. I could give illustrations from New Zealand and New South Wales, where the thing has actually been put into operation, and where the official authorities are able to report upon it as a complete success. In conclusion, let me say that the nation is at this moment, and I am sure we are painfully aware of it, confronted by very grave perils arising from the discontent of its working population. May I tell the House the most solemn political conviction that I have arrived at at the end of a long life? It is that private property in land is the root of all these troubles. As long as the land is maintained by our laws, tied up by the lawyers' parchments, defended by our soldiers and sailors, it will ensure the serfdom or semi-serfdom of our population. If the land on which we live and on which we must live and must work—it is as necessary to us as the air we breathe—belonged to us instead of to a handful of us, each man would get the just reward of his skill and labour. There would be no need for Insurance Acts or Old Age Pension Acts, there would be freedom and plenty for all. Some day the nation will, in the favourite phrase of Mr. Henry George—[Hon. Members: "Hear, hear"]—I am glad to hear my hero's name cheered from the other side—see the cat, and then it will enter into its rightful heritage.

Mr. Remnant: I beg to move as an Amendment to leave out from the word "That" to the end of the Question, in order to insert instead thereof the words:—

This House, while recognising the claim of ratepayers to substantial relief, is of opinion that such relief should be sought in the provision of new sources of local revenue, in accordance with the recommendations of the Royal Commission on Local Taxation, and not in increased taxation of that form of property which already bears an excessive share of both Imperial and local burdens.

All who have listened to the hon. Gentlemen who Moved and Seconded this Motion must agree that they have put their case in more moderate language than the advocates of the Single Tax and the Total Taxation of land are accustomed to do. I do not propose to go too much into detail in reference to this important matter, because it would take too long, but if I may refer to one or two points mentioned by the two hon. Gentlemen, it would be to dispute what they have said rather than to enter into serious argument against it. The Mover of the Motion referred to the Select Committee on the Taxation of Land Values for Scotland, of which I was a member. I was one of four representing our side of the House, as against more than twice that number of hon. Gentlemen from the other side, nearly all of whom were members of what is now the United Committee for the Taxation of Land Values, which is the only Committee in existence which seems to carry out the principles laid down by the late Mr. Henry George. The report to which the hon. Gentleman referred was the report of the majority. I do not admit that I agreed