

On July 20 the Commons rejected by 261 votes to 179 this Labour Motion moved by Mr. Michael Stewart

That this House expresses its grave concern at the continuing sharp rise in the price of building land which enriches landowners and land speculators at the cost of the community and places great difficulties in the

way of local authorities and would-be owner-occupiers who wish to buy land for building, and urges that in the interests of effective planning, and so as to ensure that increased values resulting from the development

of our towns and villages are secured for the benefit of the community, provision should now be made for the public acquisition of the freehold of land required for public use or land for private development.

## The PRICE and USE of LAND

### Nationalisation Rejected And Speculators "Warned"

HIGH PRICES A CURSE AND BLESSING — Housing Minister

MR. MICHAEL STEWART cited examples of how land prices have risen in recent years: a Cardiff house plot up from £300 in 1956 to £1,000, a multiplier of 3½ in 5 years; a plot in Surrey, 40 miles from London, fetched £800 in 1953 and now sells for £11,000, fourteen times as much; at Bromley, Kent, 100 acres of agricultural land, selling for £15,000 a few years ago now selling for building for £440,000, an increase of 30 times. Southwell (Notts.) R.D.C. had recently paid £45,000 for 22 acres for housing which changed hands in 1953 for £1,800 — a rise of 25 times in 7 years. That £45,000 had to be met from council rents, or rates, or both. When London bought land for schools and Middlesex bought for welfare centres, they had to pay prices which had doubled, trebled, multiplied tenfold in the last few years. "This is having the most ominous effect. It is causing local authorities, when they have to site a school, to site it further away from the parents' residences than good planning requires. It is urging them to stint on the provision of playing fields . . . Perhaps more serious is the effect on those people who want to buy their own homes — and how many they are."

The Chancellor had said we must discipline ourselves, and that we could not reward ourselves in advance of actual achievement. "Certain people in the country who know much better than that have been rewarding themselves quite comfortably, not merely in advance of achievement but with no intention of achievement. In many cases which I have quoted and others where land prices have rocketed during the years nothing whatever has been done to the land. These are rewards for doing nothing at all. They are rewards for pure luck."

The Government by omission and commission had brought about this state of affairs. The increased demand for land would be quite manageable without fantastic prices if it were not unhealthily concentrated at certain points. Remedies would have been the development of more new towns, co-ordination between various Ministries responsible for housing, roads and location of in-

dustry, and control of office building in the city centres.

"Having ensured a feverish demand for land in certain areas, the Government concurrently set to work to destroy the provisions of the Town and Country Planning Act, 1947, whereby part of the increased value of land in those areas would accrue to the community as a whole. That was a long process, beginning in 1953 and culminating in 1959. The result has been these opportunities of enormous unearned gains at the public expense by a very limited number of people. While this was going on, local authorities were supposed to carry out the job of town and country planning, to ensure that decency, order and common sense were preserved as houses went up, shops built, factories erected and open spaces provided."

Against that background, the planning committee and the planning officer were the unwilling but inevitable agents by which the loot was distributed to one person rather than to another. "They know that when they make the decision that a person can build on this land but not on that land, they are saying, 'Here is £10,000 to go into the pocket of John Doe rather than Richard Roe'. That is a thoroughly unhealthy situation. When on the map, with the white undeveloped land, the brownish-yellow colour is put indicating permission to develop it might well be a golden colour. It is worth a very great deal of money to certain people that the planning officer's brush should slip from one part of the map to another." As a result planning officers and members of planning committees were coming under increasing pressure to behave improperly. Profiteering and the destruction of the whole principle of town and country planning were the logical outcome of the Minister's policy and lack of policy.

Mr. Stewart devoted the rest of his speech to outlining and explaining the state land proposals set out in the Labour Party's *Signposts for the Sixties* pamphlet (see L&L August). The Minister should be cautious in saying that it would be impossibly complicated because 'astoundingly complicated' things have to be done at present.

If he looks at Section 9 of the Town and Country Planning Act, 1959, he will see that where land is acquired by a public authority in an area forming part of a new town the valuer has to answer this question:

*what would be the value of this land in a new town area if there were no new town there?*

When recommending that Act to the House the Minister said it 'sets a difficult task for the valuers but I am assured that they can undertake it'. I am almost tempted to say that anything which arises from our proposals, will be child's play compared with that."

#### LABOUR'S PLAN EXAMINED

**MR. HENRY BROOKE, Minister of Housing and Local Government:** "Adequacy of land for development is an absolute necessity. We must ensure it. What is principally wrong with this Motion is the unimpressive suggestion that nationalisation will solve the difficulties over land. This is one basic remedy for higher land prices, and only one, and that is to bring more building land on to market." Mr. Stewart's plan would do exactly the opposite. The proposal was to pay the owner less than market value. "Because, quite clearly, this would bring less land on to the market voluntarily than at present, when the plan is really one for compulsory purchase, for compulsory purchase below the market price, which is exactly what public opinion would not stand three years ago and which brought Parliament in 1959, with the consent of all parties, to bring it to an end."

Labour's plan would lead to compulsory purchase on a massive scale. That was inherent in the scheme though not mentioned by Mr. Stewart. The land, when purchased by the Land Commission, would, presumably, be leased at full market rents. If so, the final occupant would not gain anything. "If, on the other hand, it is for leasing below the market rents, then where is the profit to the State, which the hon. Gentleman said was to be used for all those admirable purposes and possibly to provide an additional source of revenue for local authorities, and so on? If this land is to be leased below the market value how is it to be rationed cut? The free working of the price system deals with that kind of thing. (Laughter) Yes, it does. It has vices, but that is one of its greatest virtues: we do not require the licensing system. Once we fix prices below the full market price somebody has to decide which applicants are to get the advantage of the favourable terms, and, that being so, what safeguard will the plan embody against the purchaser or developer, the lessee, immediately subletting it at the full market value and pocketing the profit? That is precisely what would happen next."

"The truth is that this plan breaks down the moment one begins to analyse it. The analysis has already been undertaken in the papers where technical people examine these schemes, and it has already revealed the weaknesses

which are inherent in it. Of course, to implement it enormous Exchequer sums would be required which would involve an enormous extension of control and bureaucracy." It would slow up development. That was what happened when you tried to work against natural economic forces.

"We have got some gloomy precedents. We have Lloyd George's taxation of land values; we have the ill-fated development charge, and now we have a signpost pointing in two wrong directions."

The Liberal Party had an amendment on the Order Paper on site value tax and there was an article in *The Times* that morning suggesting the possibility of a further examination of betterment. Many people felt that if a system of betterment collection could be devised it would benefit the state even if it did not bring down the price of land. "Frankly, it would be more likely to put it up than to bring it down. Anybody who seriously wishes to put up proposals for the reclaiming of betterment must address himself at the outset to a number of practical questions. Administrative difficulties they may be, but they are inherent in any betterment scheme. Is betterment to be taxed on the occasion when it is realised, or is there to be a periodic tax whether it is being realised, or not? I believe that that is the Liberal proposal. Is any betterment to be taxed, or is only that part which has not been created by the owner's expenditure or the owner's effort? If it is only that part which the owner has not created, who is to make the distinction and how is that distinction to be made in practice? Is all unearned betterment to be taxed, or is it only the unearned betterment of the development value? Then, at the root of all these questions and above all, betterment from what date? If it is to be some date in the past, how are we to determine the accuracy of what the value was at that past date?"

"I entirely agree that in broad theory there is much to be said for a system of reclaiming betterment, but the plain truth is that all the people who have examined all these subjects over the years have failed to agree on practical answers to these questions." So far no practical scheme for collecting betterment had been devised.

#### MORE LAND AVAILABLE

Over the greater part of England and Wales, the movements in land prices in recent years had been no more than would be normal in a reasonably prosperous society though in some parts there had been abnormal rises. This certainly had caused anxiety, and if one took individual cases one could convey the impression that it was easy for everybody, right and left, to line their pockets and sting the public. The truth was that over a certain area where the pressure of land had been very great, prices had risen much more than the normal amount, and that was the question to which they needed

155 BETTERMENT

156 - DEFINED

to address themselves. Circular 37/60 which he had issued the previous August called on local authorities to consider reviewing their town maps, to have discussions with neighbouring Councils and the Ministry and "to take all possible steps to get full use made of the urban land by various methods; that is to say, by encouraging conversions, by redevelopment at higher densities, by insisting that new projects make full use of their site and do not waste any space, by searching out sites not being used and by reclaiming waste or derelict land. The effects of this circular will be seen cumulatively. We shall gain more out of it each year. But we have already started to gain."

"Our land is precious," the Minister said. "That is the justification for town and country planning. That is the reason why there is close co-operation between my Ministry and the Ministry of Transport and the Board of Trade — yes, and the Ministry of Agriculture, Fisheries and Food. These problems would be far easier to solve had we to give no consideration at all to the need for safeguarding our good agricultural land. But, with the pressures that we have to meet — the increasing population and the advancing need for more space — we cannot strangle ourselves socially and economically. We must find the land for development. But in finding it we must not throw overboard other planning objectives." His concern was to make sure that no prices were artificially high by reason of an artificial shortage of land caused by slowness in allocating for housing land which was suitable and available. Municipal housing authorities could get "expensive site subsidy" from the Exchequer if they had to pay high prices for land.

"I know that there are some speculators who have paid too high a price for land and are now left with it, wondering what to do because they are not finding it so easy to unload as they imagined they would, I want to make this point, which I think important. Shortage of building land coming on to the market might not necessarily mean that too little land has been allocated in the development plan for development. It may simply mean that land is being held back from development by people who have bought it and, so to speak, are sitting on it. I want the House to know that if an artificial shortage was being created anywhere in that way, so that no land could be obtained for urgent housing needs in an area where the land was required, I would be prepared to consider a compulsory purchase order made by that local authority with a view to offering the land for sale again to those who would develop it and not sit on it. We cannot have much-needed land in these days permanently idle.

"Fortunately, high land prices, although in many ways a curse, are a blessing in other ways. They tend to bring

more land into use and that is what we want. They operate against waste of land. They operate in favour of using land as intensively as can be. High land prices for virgin land make the redevelopment of out-dated property more attractive to developers and that is a direction in which we so much want development to take place. In those ways high prices actually reinforce sound planning."

#### BETTERMENT DEFINED

**MR. A. J. IRVINE (Labour, Liverpool, Edge Hill)** found it distressing that the Minister offered no hint of a remedy for what was a public scandal. To put it mildly he seemed to be on the horns of a dilemma. Not only had he no current positive remedy, but he was actually forced into saying that what we all knew was wrong, the high prices for land, was an inherent element in the only remedy he could think of. "If a compulsory purchase price can be fixed at a figure something less than the open market value price, at least it has the effect of discouraging the speculator, for it makes him realise that if he pays the sky for a piece of land, he may be deprived of his pecuniary advantage by a compulsory order. But when the compulsory purchase price for land is the full open market value price, the green light is shown and there is no kind of deterrent left to prevent the speculator from moving into the business."

The Minister had acknowledged that the problem of betterment was at the centre of any useful discussion of the present problem of land values and land prices. "Betterment" in its strictly correct sense was that element of value which attaches to land arising from planning decisions made by planning authorities. This was something different from "that element of value which has arisen from community enterprise, which is the element which the people who desire to tax land values are after, and, it may be, rightly after. Whatever it is, it is not betterment."

#### TIMID AND CONFUSING

**MR. JEREMY THORPE**, Liberal, said the question of the price and use of land epitomised one of the worst by-products of post-war inflation. He did not agree in all respects with the proposals in Labour's *Signposts for the Sixties* but it showed that there had been some useful fresh thinking. The Liberal Amendment was not being called; it would have deleted part of the Motion before the House and added these words:

"recognising the overwhelming objections to the nationalisation of the freehold of all land required for public use or private development, urges Her Majesty's Government to introduce a tax on the site value of land so as to encourage development and to ensure that some part of the increased values resulting from the



development of our towns and villages is secured for the benefit of the community and further, having regard to the fact that certain areas in our towns and cities are in urgent need of replanning and rebuilding, urges Her Majesty's Government to make available funds for the acquisition of these areas through the medium of a civic development trust with a view to facilitating development and rebuilding."

The Labour Party scheme, although initially attractive, could hold up development. He would rather see the Minister using fiscal weapons which would help to return to the community the values the community itself had created . . . removal of the disincentive to development which is inherent in our current rating and taxation law . . . and fiscal weapons preventing the holding back of land."

The Minister had said that nowhere had the taxation of land values worked, that it was in theory a good scheme but that it simply was not a starter. "I merely refer the Minister to the interesting and useful article written by the Bow Group in *Crossbow* this summer, pointing out that this system had worked in Australia, New Zealand, South Africa, Denmark, West Canada and other parts of America . . . After hearing from the Young Conservatives of the various places where the tax works successfully, why does not the Minister experiment? Why not try the recommendation of the majority on the Simes Committee and experiment with experimental values to ascertain what the product of the site value rate would be? The right hon. Gentleman could be far more flexible than he has shown himself today. He should try to experiment in the taxation of land values in a limited area. This is one way in which the community can enjoy wealth which it has helped to create. It would remove disincentives to improvement and it would prevent the holding back of property."

Mr. Thorpe would "also like to see something in the nature of a capital gains tax" and would like the Minister to re-examine the idea of the increment tax which was contained in Lloyd George's 1909 Budget.

#### SALES LEVY PROPOSED

**MR. A. E. COOPER (Conservative, Ilford, S.)** interrupted Mr. Thorpe to say that the countries cited in the *Crossbow* article were mostly vast where the need was to promote development, whereas the reverse was the case here. He added, mistakenly, that in Denmark "it (the tax on land values) applies to only 15 per cent. of the land."

Another Conservative, **Sir C. Thornton-Kemsley (North Mearns & Angus)** speaking as a chartered surveyor who deals daily with the problems of land values and the sale of land, endorsed Mr. Cooper's interjection. In the debate a year ago he had suggested that there was a strong case

for imposing a "land sales levy". "One more year's experience of the continued eager disregard by prospective developers of the price of developable land has reinforced my feeling that we should think again about the problem of extracting some sort of betterment charge in all cases of dealings in land and buildings. When I see thousands of pounds an acre being given for land which has the benefit of planning permission — and I see it daily in my profession — I am led to the belief that my right hon. and learned Friend the Chancellor of the Exchequer has a unique opportunity of extracting without harm to anyone, and without defiance of any Conservative or other principle of which I am aware, some large sums of money for the benefit of the Exchequer and other purposes." He wanted the question examined urgently by the Treasury.

#### REDEVELOPMENT PROMOTED

**SIR CYRIL BLACK (Conservative, Wimbledon)** said he was a chartered surveyor, a member of two local authorities and a director of land development companies. While high land values created a problem for local authorities it was fair to point out that some were sellers often on a very big scale. He had never found that public authorities, whether Government Departments or local authorities, when they were vendors, were willing to take less for the land than any private owner would be inclined to do. There was no reason why they should.

"We are told that these high prices are a great evil. I am doubtful. In one Midland town I paid recently for a small site, a price that works out at £233,000 an acre . . . Yet one in a Midlands town works out at £290,000 an acre. These figures may sound to some hon. Members so staggering that they may be pleased to have this evidence to fortify their views about high land values. These are actual purchases within the last few months. All these sites were either not developed, or very inadequately developed, or had buildings on them which were outworn or could be better placed on some less expensive site in a different part of the town. As a result of the building operations on which I am engaged, it seems to me that the town planning of these centres will be improved and that there will be a large increase in the rateable value to the benefit of the inhabitants of these communities. It seems to me that the tax collector will reap a considerable reward through Schedule A tax which he will collect on the new buildings when they are completed, and through the tax he will collect on the profits of the traders who will occupy them. I find it difficult to think that any kind of harm will result to anybody outside these operations . . . These will be retail shops, and unless they can sell their goods as cheaply as other shops in the district sell them they will not prosper. Competition between one shopkeeper and another will obviously keep prices on a competitive basis. I say that no harm has accrued to the public welfare as a result of these high prices. I say, furthermore, that not one of these developments would have taken place, but for high land values."

## LAND DEBATE—continued.

**MR. LEONARD CLEAVER (Conservative, Birmingham, Yardley):** "The whole subject of compulsory purchase should be inquired into. There is an old saying that power corrupts and absolute power corrupts absolutely. I do not suppose that those who exercise compulsory purchase powers are any different from anybody else. It is time we inquired into whether the power of compulsory purchase is corrupting those who have to exercise it."

**MR. BEN PARKIN (Labour, Paddington, N.)** said that an Act of Edward II provided that the land of natural fools should revert to the Crown. "I suggest with all solemnity that I can muster that the natural fools of this day and generation in this country are those who do not see that on whether we solve the problem of land ownership and land price depends whether we can carry out the next stage of the social revolution by consent.

"Those who look at our system will observe that one cannot win. There is a built-in cheating system in the free enterprise, freedom for incentives, freedom for the individual system which is preached by hon. Members opposite without any recognition of the obligation of landowners to the community. It is a built-in cheating system which enriches the landowners and re-enriches them in every generation at the expense of the community. Hon. Members opposite know it. They know that there is a difference between this proposal for State ownership and any other. There is no question here of the skill and inventiveness of the individual. In this matter, the absent owner of land profits entirely from something which is socially created. That which is socially created should be shared by the State."

### A TERRIBLE CONFESSION

**MR. G. R. MITCHISON (Labour, Kettering):** "Here we are, living in a very complicated community in many ways, engaged in the development of the land, in the adaptation of our country to the needs of an industrial civilisation, in a certain amount of progress in education, health, housing and so on, growing as a modern community; and the result of that is to make a remarkable difference in values and in prices. We know perfectly well that at the present these changes in prices are benefiting a very limited class of people who own the land or speculate in it. We know perfectly well, and we admit that, logically, morally and on every other consideration, there ought to be a transfer of this betterment to the community, by the local authority, to the central Government, take it how we like. Are we to say that we know it to be right, but that we have made such a complicated society that we cannot possibly do the right thing? That is what is being said by the Government. . . It is a most terrible confession of social failure, not only by the Gov-

ernment themselves, but by the community in which we live, and one which I suggest we ought to have the courage to refuse to make if we possibly can find another way of doing it."

**REPLYING** on the debate, **SIR KEITH JOSEPH**, Parliamentary Secretary, said the country was going through a process of adjustment in land prices. Account was being taken of the implications of full employment, tight town and country planning, the fall in the value of the £, the rise in earnings and prices and various other factors. The higher land prices were concentrated in certain areas. It was confusing when Opposition M.P.s mingled the prices of land for housing with those for commercial development.

Limitation by building societies of the advances they were prepared to make afforded a useful discipline. "There is evidence in some areas that this discipline has had an effect in keeping the rise in the prices of land lower than it would otherwise have been. Auctions of ripe land have not been successful, and land has had to be withdrawn. There is evidence that in some areas developers have paid too much and have not been able to unload the land and have been forced, therefore, either to take a loss or to bear heavy interest charges." There were many areas where demand was not high enough to absorb the land which had been allocated and where prices had risen only in step with the fall in the value of the £.

The Minister and the Government believed that market value and a free market for land offered the right basis, provided that the needs of those who could not afford market value were safeguarded and the needs of the community generally were not endangered. There was no evidence that they were. The building industry had never been busier. The price of land was not hindering the slum clearance programme. Private house building was at post-war record levels. "Taking a broad comparison, and taking the salaries or earnings of men at the lower level of income with which it is prudent to consider buying a new house, the price of doing so today — admittedly outside London — is just about the same product of average earnings as it was in 1939, that is, about three times as much. In all other public spheres of interest the country is at the moment enjoying record programmes, despite the high price of land. Industrial investment and the development of power stations, factories, water and sewerage installations, roads, hospitals, schools and universities are all at record levels, obviously not hindered in any way by the price of land . . ."