

PARLIAMENTARY DEBATE

LAND VALUE AND LOCAL TAXATION

(In the House of Commons, 11th February: Liberal Party Amendment to the Address in Reply to the King's Speech)

Mr FENBY: I beg to move, at the end of the Question, to add the words:—

“But deplore that the Government do not propose to bring forward measures for the relief of the burden of local rates, by which expenditure in many districts has risen to almost unbearable dimensions, and which now so impedes the revival of our industrial and agricultural prosperity; and for the reduction of rating upon improvements by placing a fair share of the burden upon the monopoly values in the urban districts which have been created by these communities.”

All sections of the community are agreed that the burden of rates is affecting the individual and the community very seriously indeed. I do not care whether you consult the Federation of British Industries, the Chambers of Commerce, the Trade Union Organizations, or where you go to ask for an opinion the one invariable answer that you get is that the limit of capacity of industry and of the individual to meet the ever-growing burden of the rates has been reached.

If it be a question of developing an estate for the purpose of settling little men upon the land, then we have, as I was reading only the other day, cases such as that which was put in this House with regard to the evils of the present assessment and rating system, where near London 660 acres of land, assessed at about £150, had been acquired, and where, when the land had been equipped and improvements made for little men to settle upon it, the assessment was increased to something like £580. These are things of which we all know and of which the Government know, and yet they do absolutely nothing. While I want to address myself more particularly to the agricultural point, I would like the House to remember that we are not dividing the City from the country in the Amendment which we are putting forward. We know that, whether a man comes from an urban area or a rural area, he is not here representing specifically the rural or urban interests, but the general well-being and improvement of the whole of the community, whatever may be the nature of the particular class and community he represents.

Let us look at the total rate levied per head of population for a few years. In 1900 it was £1 6s. 11d. per head of the population; in 1910 it was £1 15s. 4d.; in 1915, £1 19s. 6d.; in 1920, £2 16s. 4d.; and in 1924, £3 14s. 7½d. per head of the population of this country.

What have the great progressive municipalities of this country done? They have passed resolutions again and again that there should be a reform in the rating system of this country by doing something to relieve improvements of increased rates, and to get on to a more equitable basis altogether. And it is not only the great municipalities. If you go to other countries, particularly the more progressive agricultural countries, what do you find? In Western Canada, in New Zealand, in Western Australia, here and there they are doing away with this evil system to which we still cling.

Mr GEORGE THORNE: I beg to second the Amendment.

It is a sad thing that in the third year of this Parliament we have no practical proposal for meeting what the right hon. Gentleman must realize is a great anxiety and burden.

We want to see as far as it is possible by a proper

taxation of site values, relief of the improvements which have been put upon the land. We want to see our municipalities have greatly enlarged powers over and above those they possess at the present time so that when going outside our borders, either alone or in conjunction with other municipalities, we may together improve our countryside by developing roads, avenues and other amenities, and by providing employment and happiness; but we want to see that done in such a way that when the public expends its money for the welfare of the community the increased value which comes to the land as a result of it shall go to the community which produces the increased value, and not to a private individual who has done nothing to secure it.

Mr HERBERT WILLIAMS: From time to time, not the whole of the Liberal Party, but a section of the Liberal Party, and occasionally a section of the Socialist Party, are brought back once again to this patent medicine which, I think, was imported, as a great many inferior patent medicines are imported, from the United States of America. Mr Henry George called his proposal by the name of the Single Tax. He was a very optimistic person. He was going to replace all forms of taxation by one single solitary tax imposed on land values. There are now not many to do him honour. The right hon. Gentleman and any hon. and gallant Gentleman in the Potteries can always be regarded as faithful allies of Mr Henry George.

Colonel WEDGWOOD: Who have both offered to debate his theories with you in your constituency in the hope that you will learn to understand.

Mr WILLIAMS: Before you can tax these site values—and I suppose it is a tax on site values we are seeking—it is unfortunately necessary to value. I am not an expert on land valuation, but a great many people who were experts spent many weary months, sitting for many weary hours on this matter discussing the problems, and in the end they produced a scheme which was so entirely unworkable that from the time it came into operation until the time when it was abandoned by its own authors four years ago it produced far more expense than revenue.

Mr T. GRIFFITHS: During the week before last, I attended the annual meeting of the Steel Board in South Wales. The chair was occupied by Sir J. C. Davies, who is one of the directors of Messrs Baldwins Limited. I occupied the vice-chair on behalf of the representatives of the men and one of the chief questions discussed at that meeting was the question of local rates. Sir J. C. Davies, in the course of his remarks—addressing, I believe, some of the Labour members who are members of local authorities—pointed out that one of the chief obstacles to the resumption of work in some of the steel and tin-plate works in South Wales was the question of local rates. I think he gave figures showing that there had been imported into this country during the last year something like 500,000 tons of steel and although he admitted that some of this steel was being imported at a price which was 10s. or 15s. per ton lower than we could produce it at in this country, he said that thousands of tons of this steel could have been produced in South Wales if the local rates, which are included in the costs of

production, were reduced.

If the Government want to checkmate unemployment in the country, this question must be tackled at once, because it is throttling every industry in the country. I know of works in South Wales which are idle and which could have been started had it not been for the burden of the local rates, because the employers would prefer to keep the works going, even if they only covered the costs of production, in order to retain their men and their customers instead of closing down. I appeal to the Minister of Health, in view of the demand from Sir J. C. Davies, to which I have alluded, and in view of the resolutions and decisions of local authorities, to tackle this question immediately in order to set the wheels of industry going and help forward a solution of the unemployment problem.

Sir ROBERT SANDERS: Is there anyone here who can speak with any sort of authority on behalf of the Liberal Party? I would like to ask this question: In these proposals that are being made now for a tax or rate upon what they call land values, is it proposed to put a tax upon existing ground rents? I do not know if I can have an answer to that question. Is it proposed, in spite of contracts as they stand at present, to put a rate or tax upon ground rents which are already established?

If it is proposed to interfere with them, then you are putting a tax on a security which is a very favourite one indeed for the advance of money by various societies on mortgages. You are going a great deal further than merely taxing a series of landlords. You are diminishing the security of a great many very responsible corporations in the country.

Major CRAWFURD: Does the right hon. Gentleman not realize that if the assumption he makes is true to the extent that you are adding to the burden on ground rents, for instance, you are relieving the burden on buildings, which are also the subject of mortgages?

Sir R. SANDERS: Certainly; but that is not the point with which I was dealing. I want to know whether it is proposed to interfere with existing contracts, or not?

Major CRAWFURD: Yes. If the right hon. Member wants to have a pleasant argument, for the sake of this argument, we will say, yes. But I want to point out that the deduction he makes from that answer is a false one.

Sir R. SANDERS: May I take it the hon. and gallant Gentleman speaks for the Liberal Party in assuring me that it is proposed to put a burden on existing ground rents?

Major CRAWFURD: I do.

Sir R. SANDERS: If that be your intention, it ought to be fairly and squarely announced. You are by so doing interfering, undoubtedly, with all future developments of building land, and there I should really have thought the Liberal Party would have gone on the maxim: "Once bitten, twice shy." My hon. Friend below the Gangway has referred to the Land Taxes in the Budget of 1910. It cannot, I think, be denied that those taxes are very largely responsible for the present shortage of houses. It is not too much to say that the experiment in the taxation of land values made in that Budget was the biggest financial failure of our time.

Mr BRIANT: Everyone here is familiar, and so I need not stress the point, with the dangers of the heavy burdens of rates, not only as affecting industry, but as affecting housing.

As regards site values, I think very few people can

really defend the present situation. Large sums of money are being expended on the construction of arterial roads, which are valuable and useful to the whole community. When the arterial road is made a man who has agricultural land adjoining it which was formerly worth a mere song will get, sometimes, 500 or 600 per cent increase on the original value of that land, not because he has laid out money on the land, or expended a single day's labour upon it, but because the community have spent money on a much-needed improvement. Can anyone defend that? The construction of tubes is being financed by the State under a credit system. Immediately a tube is built the landlords of the district obtain an enormous increase in the value of their land. Again he has done nothing. In the case of housing, the London County Council is erecting an enormous town in the South of London and, in the area near at hand, the land is springing up in value by 500 or 600 per cent although the owner has done nothing for it. I am not blaming the landowner any more than I am blaming the wealthy Socialist, who says he is very sorry for the system that made him rich but he cannot get rid of it. No one, however, can defend the system as righteous.

You can only reduce the rates by placing some burden of the rates upon those who are doing nothing to contribute to the wealth of the nation but are filling their pockets through some railway or through some housing necessity. I do not think anyone can dispute that it is fair that some amount of rates should be diverted to the owner of the site, who is enhancing his own position to an enormous extent. It is as if the State or the community were to find an enormous gold mine, spend a large amount of money in developing it, and then say to somebody, "Now we have spent all this money in developing it, you can go and fill your pockets with it." We have done even worse than that, for we say, "You can sit in your armchair and we will do it for you."

This is not a Socialist scheme, but was supported by even so good a Conservative as Lord Balfour of Burleigh many years ago and many other leading Conservatives have also supported it. It is common justice.

It would be greatly to the benefit of the community if they could divert the enthusiasm and the attention of the Government from matters that could very well remain as they are, like the reform of the trade unions, and get on with that job which is so urgently needed by the people of this country.

The Minister of Health (Mr NEVILLE CHAMBERLAIN): This proposal taxes the benefit which an individual derives from circumstances brought about not by himself but by the community.

Colonel WEDGWOOD: Surely if the expenditure of the ratepayers' money raises land values the increased value should be taxed for the benefit of the community?

Mr CHAMBERLAIN: What is now proposed is merely

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a redistribution of local burdens by putting a new local tax upon site values. That is a big change, and it is really a tax on capital. The hon. Member for East Wolverhampton (Mr G. Thorne) says that the community ought to have the benefit, but why should such a tax be confined to land? Why should it not be applied to other articles where the action of the community has caused a rise in value? Very often the increased profits a shopkeeper makes upon an article depends upon the character of the neighbourhood and that character may change. That change is not due to anything done by the shopkeeper but to circumstances altogether outside his control.

Why is land alone picked out as being the complete measure of the benefits given to individuals by the community? I would remind the hon. Member for Wolverhampton that there are very large areas in the neighbourhood of Wolverhampton and Birmingham, or any other large town, where the value of the land adjoining is governed by the fact that they are interested in the large town, and therefore any benefit which might be got by taxing the increased value of that land would go not to the inhabitants of the large town but to the adjoining community which might be another authority altogether. Therefore, that is not giving the benefit of this tax to those who it is intended should receive it, but to a different body altogether. There is nothing to show that relief would be given where relief is needed.

Mr LLOYD GEORGE: The right hon. Gentleman the Minister of Health has done very inadequate justice to the proposals which are embodied in this Amendment

With regard to the gravity of the problem, there can be no doubt at all. The burden of rates in our industrial districts is paralysing industry. The right hon. Gentleman deprecated calling attention to particular instances, because, he says, the basis of valuation is not identical in different districts; but within limits it is substantially the same—you would not make a difference of a shilling by equalizing the methods of assessment unless you changed the whole basis. For instance, at Gateshead, the rates are 25s. 9d. in the £; at Jarrow, a great shipbuilding area, 19s. 11d.; at Hartlepool, another shipbuilding area, 18s. 8d.; at Middlesbrough, 19s. 8d.; at Merthyr Tydvil, 27s. 2d., and at Llanelly, 21s. The worst of this is that the industries which are most hardly hit are the industries which are also bearing the heaviest burden of rates—iron and steel, shipbuilding and coal; so it makes it very difficult for the industries that are vital to the life of this country, and it makes it almost impossible for them to recover. I see that the Manchester Chamber of Commerce say that the rates there have very often the effect of practically wiping out the margin of profit. We are trading on very narrow margins, because the competition against us is getting keener and keener. With regard to textiles, according to the Chamber of Commerce in Manchester, a farthing a yard represents the whole margin of profit, and the increase in the rates has more than wiped that out in many cases.

I come now to the specific Amendment. What does it mean? That men in a given area shall contribute according to the real value of their property. Take Newcastle-on-Tyne. There was land purchased for housing at a price of £17,500. I am assuming that is a fair price. I am not challenging the price. Previous to the purchase the rates on the land were only £23. Is it fair that land that is worth £17,500 in the market should only be paying £23 in rates? Go to Govan. There are a great many grievances which crowd and concentrate into the area of Glasgow. Here in Glasgow

the Corporation bought 49½ acres of land for £50,000. The annual value of that for rating purposes was £81. Is that fair? Is it just? Is it equitable? I could give many instances of the kind in Plymouth and in other places and the right hon. Gentleman could multiply those cases all over the country. Is it fair when you find all these places are being crushed by rates when the Glasgow shipyards cannot pay their way, when business is being driven out because they cannot compete on equal terms, that you should have land of this kind practically escaping altogether?

Really the right hon. Gentleman must read the handbook on rating. A shilling book would have saved him from all that speech he delivered just now. What you want is perfectly fair treatment. If a shopkeeper has to pay upon the value that is created by the community—and he does pay—why should not the landlord do the same thing?

Then the right hon. Gentleman has not quite appreciated the point with regard to the rating of improvements. I do not care whether it is a farmer, a mill-owner or a shopkeeper or an ordinary cottager. The moment there is any improvement effected down comes the tax collector and says, "How dare you improve that property? I fine you an extra £50 a year." That is not encouraging improvements. Take the case of the farmer. The farmer who farms badly or the landlord who allows his buildings to fall into disrepair or whose buildings are inadequate has lower rates, but the moment a farmer begins to spend money upon his farm in drainage say, and who doubles the value of his fields, or if a man, for instance, plants an orchard and converts a field that was worth only £1 an acre into a field worth £5 or £6 an acre, up go the rates straight away. They do not wait for the apples to grow or give him an opportunity to take his produce to the market. Up goes the rates immediately. The same applies in regard to buildings.

There can be no doubt that agriculture is suffering, beyond anything else, from lack of capital. Supposing you get a landlord who adds to his buildings, who brings his farming equipments up to modern scientific requirements. The moment he does that down comes the rate collector and says, "You will have to pay upon this." The principle is a bad one, a thoroughly bad one.

I ask the right hon. Gentleman to take into account the recasting of our rating system in such a way that it does not discourage improvements, does not penalize improvements or industry and does not punish the good landlord and endow the bad landlord. Do not give the bad one privilege and boon by paying half or three-quarters of his rates, and punish the other. It is the land you are relieving, not the buildings. The improvements which the landlord makes you are not relieving at all by any of your schemes. Therefore,

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you punish him. I ask the right hon. Gentleman, in the course of the next 12 months, to give a little attention to this subject and to believe that when a number of Members of this House, whether they be small or many, makes suggestions after thorough consideration, it is worth his while to consider them.

Sir H. CAUTLEY: The right hon. Member for Carnarvon Boroughs spoke of an apparently grave injustice of land worth £17,000 in Newcastle producing only £23 a year. If you are going to have your rate on capital value, I should agree with him entirely, but that ought to apply to all rateable land in the whole country. If you have the existing system, what benefit would this £17,000 worth of land receive from the police, the tramways or any of the other services which go to make up local rates. You cannot have two systems working together; you must apply the same to all property. Rate the capital value of your house and land if you like; put the whole rate on to the capital value; but I cannot see how you can select one class of property and rate that on the capital value, while you rate other property on an income basis as we do at present.

Mr A. V. ALEXANDER: Take, for example, the City of Sheffield, which I represent. We have passed through a period of extraordinary depression; at the same time we have had to meet very heavy charges. Yet on the outskirts of the city there is any amount of land belonging to wealthy landowners, which is put into the market for building purposes as the city desires to spread. The owners take tremendous prices for the land, which is rated at a very low figure, whereas they ought to contribute, in proportion to the price which they take from the community for the land, their fair share to the local burden of rates. That is the area from which we believe local authorities could obtain much of the additional revenue which is necessary to meet the increasing needs of urban communities.

Major TASKER: There seems to be an idea, particularly amongst those people who have no investments in land, that to own land is a source of great wealth. It is a positive fact that of all the improvements undertaken by the London County Council since their coming into existence in 1889, and by their predecessors the Metropolitan Board of Works, there is only one public improvement carried out by them which showed a profit, and that was Northumberland Avenue. As regards Kingsway and Aldwych, I declare to this House that if the County Council had said, "We will give this land away on condition that you erect premises within the next three years," the ratepayers of London would have been millions in pocket.

Let me give an illustration of the way money is lost by municipal authorities who indulge in acquiring land. Most Members of this House probably know that site in the Strand known as Bush House, on either side of which there are vacant plots of land. The County Council say that that is worth £40,000 a year ground rent. The Council has owned that land since 1897—30 years. If it is worth £40,000 ground rent, they have lost that for 30 years, which is equal to a sum of £1,200,000. But it is worse than that because if it was worth £40,000 ground rent, it would certainly be covered three, four or five times at a rack rental, and so it would have been rated at £150,000 or more. Rates in London are nowhere less than 11s. in the £, but so that hon. Members shall not be indulging in mental gymnastics, let us call it 10s. Therefore, you have lost £75,000 a year in rates for 30 years, and you have lost the Income Tax on the ground rent and the rack rent. Those two sites alone have cost London not less than £3,000,000.

That is true more or less of the whole of the land in Aldwych and Kingsway, and it is true of nearly every public improvement. There is no land owner in this country who would not be hopelessly insolvent in a few years if he tried to deal with land like the public authorities.

Major CRAWFORD: I am not quite clear in my mind as to the conclusion to which we were directed by the last speech, but I would thank the hon. Member for having, as I believe, supported the case which we are putting forward, by citing the instance of land held by the London County Council in Kingsway. The hon. Member had better sit somewhere between above and below the Gangway on this side. His argument was that because this land, which was of very great value—I understand £40,000 a year ground rent, and, perhaps, three or four times that amount of rack rent—had not been brought into use, not only had many people not been employed who would otherwise have been employed, but there had been a consistent and, perhaps, growing loss to the rates.

That is our case. That is one of the bases on which our case is built. When he says the proposal in this Amendment is the same as that in the Budget of 1909, he only shows that he is not acquainted with recent and contemporary political history. The proposal in this Amendment is confined entirely to the suggestion that local rating should include the rating of what are called site values, and perhaps the hon. Member representing the Government will bear that in mind when he replies.

However, I pass to the right hon. Gentleman the Member for Wells (Sir R. Sanders), a former Minister of Agriculture. He put a question which I took it upon myself to answer, and it seemed to him that the deductions he drew from my answer were a conclusive argument against the proposal we are making. He said, "Would you impose your rate upon existing ground rents?" The reason he put that question was that if we said "No," his reply was to be "You will get no values from that source"; and if we said "Yes," the reply ready was, "Then you are breaking

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existing contracts." Everybody who has spent five minutes studying this question of land values knows perfectly well that existing contracts are an obstacle to reform. Because there is a difficulty in carrying out the details of a proposal, it is not to be argued that the principle is wrong.

Now I am going to quote in support of our argument for the rating of site values the hon. Member who is going to reply. Last year, when the hon. and gallant Member for Oxford City (Captain Bourne) was piloting the Allotments Bill through this House, this principle was enshrined in that Measure, because, if I remember rightly, any improvements made upon the allotments which were to be created under that Bill were to be exempted from rating for three years. If they were to be exempted from rating because they were improvements, why should not exemptions of another kind be made for other improvements? During the Committee stage of the Rating and Valuation Bill, a proposal, a very valuable proposal, had been brought forward for the unrating or derating of machinery—fortunately, it was carried into law—and I remember that the hon. Member, in urging this reform, used language which my right hon. Friend the Member for Newcastle-under-Lyme (Colonel Wedgwood) must be sick and tired of using, which he has used in every hall and schoolroom in the country. He said, "What happened? As long as a manufacturer makes no improvements in his factory, does not march with the times, does nothing to make himself better fitted to meet foreign competition, the rate collector leaves him alone; but the moment he improves his factory by putting in modern machinery, or in other ways does something to keep himself and his workpeople up-to-date, along comes the rate collector and says, 'We want some of that.'" Because of that, the Government, very rightly, carried their proposal, which abolished the rating of machinery. Surely, if it is a right principle as applied to machinery, it is a right principle as applied to other improvements too.

Sir JOSEPH NALL: On the question of site values, from the speeches we have heard to-day it is really impossible to know what hon. Members opposite are really asking for. Do they want to exempt all improvements from rates? Is the man who has a field on which he grows grass to be exempted from rates because he builds a house on it? Are the large sites occupied by the heavy industries, whose buildings are notoriously in many cases of no great capital value, to have their burden of local rates increased because they are to be taxed upon the site value of their premises rather than on the value of the hereditaments?

Major CRAWFURD: In some cases they will be decreased.

Sir J. NALL: Nothing of the kind. The same people have to provide the same revenue. It has to be assessed on a different basis and the heavy industries, which in many cases are located near or in the centre of big industrial towns where their values are supposed to be high, would actually have their burden of rates increased because they will have to pay on the new system of site value as against the rateable value.

Colonel WEDGWOOD: I am grateful to the Liberal Party for introducing this Amendment, and thereby giving us an opportunity of discussing this subject. I regret, however, that the Liberal Party have for the first time, definitely confined themselves to limiting this system of rating to urban areas. Fortunately, the speeches of the right hon. Member for Carnarvon Boroughs (Mr Lloyd George) and the hon. Member for West Walthamstow (Major Crawford) were not confined to urban areas. They realized that if the principle is

sound for urban areas, it is sound for rural areas. In this matter the Labour Party by their resolution at Liverpool proposed that permission should be given to local authorities to levy rates upon land values, whether urban or rural in character.

The right hon. Member for Carnarvon Boroughs showed that on every ton of steel the rates amounted to 7s. Seven shillings a ton is the cost of rates upon the steel industry. In every other industry it is the same. The coal industry is being strangled in the same way by the rates. We know perfectly well that the people who escape rates are the owners of the royalties. The royalty-owner is escaping his contribution to the rates, and the burden is being thrown upon the struggling industry. We see in every direction that the present burden of rates is making recovery impossible.

The right hon. Gentleman the Minister of Health has made more eloquent speeches in this House on this question than I have. His argument for the unrating of machinery was the finest argument put forward in this House. He knows that these rates are an overhead charge and because of the added cost of production we cannot compete in the markets of the world. He gave us to-day the objections to it, the difficulties of getting the value and of all the boundaries. Those are difficulties that have faced other countries. Let him remember that there are other British governed countries in the world, and let him see how they are getting round these difficulties. In South Africa the City of Johannesburg has transferred all rates off improvement values. In New Zealand all the electors are entitled to choose one of three methods of local rating, either as we have it here, or on a capital value, or on land values alone. It is all done by a poll of the inhabitants. In Pennsylvania they tried the Pittsburg plan, and adopted a system of remitting half the tax on improvements.

All over the Empire you find this system growing, the system of relieving improvements from taxation in order to cheapen production, and at the same time to levy the local taxation instead upon land values so that it shall be more and more difficult to hold land idle and to force up the price. We want land cheaper and capital cheaper. If we are to get that, we must untax capital and tax land value, so that it no longer pays to hold up land for high prices.

Sir K. WOOD: The Amendment can best be described as rather foggy, because, as has been said it deals only with one side of the problem and omits any suggestion for dealing with rural areas.

I think I am entitled to call attention to a previous experiment which has been tried in this connection, and which is at any rate familiar to many of us. I do so because the author of the attempt, in the Finance Act of 1909-10 spent much of his speech this afternoon in inviting my right hon. Friend the Minister of Health to study this particular problem. I think it is material to see what happened when the previous experiment was made in connection with land values taxation. That is the work of the right hon. Gentle-

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man the Leader of the Liberal Party, who invites my right hon. Friend to spend his time until the end of the year in studying this problem.

Major CRAWFORD: Surely, in justice, the hon. Gentleman will admit that there is nothing in common between taxes that he has quoted and the simple proposal for rating site values?

Sir K. WOOD: I have pointed out that it comes from the same stable, and at any rate most people in this country have some regard to that particular aspect of the situation. If I may put my point in another way, there are various plausible and persuasive gentlemen who travel up and down the country selling pills at local fairs, which are supposed to cure everything, from rheumatism to housemaid's knee, but there is one rule which these gentlemen always adopt, and that is never to go to the same village twice.

As indicated by the Prime Minister, the Government are now examining the very difficult and complex question of the relation of local finance to the National Exchequer. I believe it is on those lines, rather than by the rough and unsatisfactory suggestion put forward in this Amendment, that we shall find the speediest remedy for a very difficult problem, and I therefore invite the House to reject the Amendment.

Question put, "that those words be there added."

The House divided: Ayes, 88; Noes, 244.