

REDUCTION IN THE HOUSING SUBSIDIES

Where the Money Has Gone

The House of Commons resolved on 2nd December that all houses completed before 1st October, 1927, will be eligible for the present rate of subsidies. For houses completed after that date the annual subsidy of £6 per house (for 20 years) under the 1923 Act will be reduced by £2, and the annual subsidy of £9 per house (for 40 years) under the 1924 Act will be reduced by £1 10s.

THE MINISTER OF HEALTH, MR NEVILLE CHAMBERLAIN, in the course of his speech explaining the Government decision, said:—

The House will recollect that there have been at different stages three different subsidies. First of all, there was the Addison scheme. Under the Addison scheme, the rents of the houses were fixed by an independent tribunal. The liability of the local authorities was limited to the produce of a penny rate. The liability of the Exchequer was unlimited. The result of that scheme was that it produced 176,000 houses at an average cost of over £1,000 a house, and a loss to the Exchequer of over £40 per house per annum for a period, the exact limit of which I could not say, though the final liability will not be exhausted for 60 years and the £40 will persist during a very large part of that period. These results were so disastrous that, as the House knows, the scheme had to be shut down.

Then came the Act of 1923, which was based on entirely different principles. In that Act, the liability of the Exchequer was limited to a definite sum of £6 per house per annum for a period of 20 years. There was a provision, deliberately inserted, that before local authorities were permitted to build houses they had to satisfy the Minister that those houses could not, or would not, be provided by private enterprise. The object of that provision was to separate into two parts the field of housing—one part to be dealt with by private enterprise and the other part to be dealt with by municipal enterprise—the latter part being the provision of houses for the poorer paid sections of the community.

Then came the Act of 1924, which became law on the 7th August for that year. In that Act, a new subsidy was given for houses, to which special conditions were applicable. It was a subsidy of a greatly increased amount, namely, £9 per year for a period of 40 years. If one compares the actual values per house under the two subsidies of £6 for 20 years, and £9 for 40 years, they are represented by the figures of approximately £75 and £160. Therefore, I may say that the subsidy in the 1924 Act was more than double the subsidy of the 1923 Act. The first result of it was that some 28,000 houses, which had already been authorized for construction under the 1923 subsidy, were at once swung over to the 1924 subsidy in order to receive the increased subsidy. That was a good bargain for the local authorities, but it was rather a poor one for the Exchequer, because the Exchequer had to pay on every one of these 28,000 houses the equivalent of about £83 10s. more than they would have done if the houses had remained under the 1923 Act, and in return for that they got no equivalent whatsoever, either in the shape of an increased number of houses or even in the number of houses to let, because these would have been houses to let in any case.

The Party opposite had in mind a further consideration, the consideration which they took into account was, that they believed that by giving a larger subsidy they would get houses at lower rents.

In order to get some definite information, I asked a number of county boroughs and metropolitan boroughs to tell me what rents they were charging for houses built under various schemes. I must admit that the figures which I have obtained are very limited, but I will give them to the House for what they are worth.

The general conclusion I have arrived at is that, speaking broadly, we may take it that there is no substantial difference between the rents of the 1924 houses and the rents of the 1923 houses.

The anticipations of the Party opposite that by giving this bigger subsidy they would be able to get houses at lower rents have not been realized. Therefore, as far as that point goes, I think it can be said that the 1924 Act has failed. Why? It has failed because the cost of houses has gone up.

Between January, 1924, and October of the same year there was a rise in the average cost of a non-parlour house of £65, and in the whole of that year, up to the end of December, the rise in the cost of materials could not have accounted for more than £15 out of that £65. If you take the increased cost of labour as well as materials it would only account for another £12 10s. on the house. I am forced to the conclusion that there is a co-relation between the rise and fall in the price of houses and the rise and fall of the Government subsidy.

Let the House listen to this. In July, 1921, when the decision to curtail the Addison scheme was taken, the average price of a non-parlour house built by a local authority was £665. By December of 1922, when no new scheme of assistance had been propounded, the price of a non-parlour house had fallen to £346. In 1923 the Housing Bill which gave a new subsidy was introduced, and in May the price of a non-parlour house had gone up again to £368. In January, 1924, it was £386, and, as I have mentioned, after the introduction of the Housing Bill of 1924 it went up to £451. I do not see how anybody can resist the conclusion that there is a relation between these two sets of figures, and if the introduction of this Government subvention has had the effect of raising the price of buildings I invite the House to accept the logical corollary of that—namely, that the most promising way of bringing about a reduction in the cost of buildings is to reduce the subsidy.