

Testimony by Philip Snowden on the Finance Bill

5 June, 1928

I beg to move, to leave out from the word "That" to the end of the Question, and to add instead thereof the words: this House declines to assent to the Second Reading of a Bill which gives no relief in the heavy burden of taxation borne by the wage-earning class, imposes new indirect taxes, and proposes to raise revenue from national taxation for the relief from local rates of a particular class, irrespective of individual need, **instead of promoting a fundamental reform of the rating system by levying rates upon site values which are created by the industry and enterprise of the community.** I

I propose this afternoon to confine my observations to the principles of local rating. I think there is general agreement, indeed, I think there are no differences of opinion, as to the need for the reform of our chaotic local rating system. It is out of date, and it is altogether inapplicable to modern conditions, especially modern industrial conditions. I also venture to submit the view, which perhaps will not be so generally shared, that it is not the amount of the rates which constitutes the burden, but the wrong method of assessment and the unfair incidence of the rates. The rating areas are quite unsuitable for present conditions, and the whole system is wrong in principle, because a very considerable part of the expenditure of local authorities to-day is not for what might be regarded as strictly local purposes and local services, but which are of a national character.

The Rating plan proceeds on fundamentally wrong lines, and it does nothing to change the present archaic and unsuitable system of local rating. The changes which this plan will bring about will increase the cost of the production of houses, and surely that is a very important element. The cost of houses will be increased, because anything which causes increased rates is certain to add to the cost of the production of houses. Nobody knows better than the Chancellor of the Exchequer what is going to be the ultimate effect of the change which is proposed by this scheme. **It cannot be more than a temporary relief, and this form of relief—it is no use denying it—must sooner or later pass on to the rent, and will therefore become an addition to the income of the ground landlord and those who take rent from property. You can have no relief of the rates so long as**

you allow land values to be appropriated by private individuals. All forms of relief of this kind go back to the landlords in the shape of land values. Every relief of this kind is ultimately passed on to the community and finds its way automatically into the landlords' pockets. If there is a rise in wages we are able to move forward a little because the worker is able to pay a little more for the things he wants. The opening of a new railway or tramway, the establishment of improved services for workmen, the lowering of fares, or a new invention very often confers a benefit on the workers in any district, and [42](#) it becomes easier for them to live. The ultimate result, however, is that the ground landlord and the landlord, one on top of the other, are able to charge more to the community for the privilege for living there.

he price that the landlord is able to exact for the use of these privileges is determined by a number of considerations. First of all, the price is determined by the extent of the need of the people, the amount of land they require, and the population. As a matter of fact, every child born adds to the rent of the landlord. The more people you have living on the land, the more the ground landlord is able to take from the community for the privilege of living on the land. Every scientific advance, every machine improvement, everything that adds to productive power, finds ultimately its place in the rent that the landowner is able to take.

It is the same with regard to transport. Every improvement in transport services raises land values. We see it going on everywhere, not only here in London and around London, but, now that motor omnibus services have covered the whole country, you find, alongside the roads on which you travel, on agricultural land which is at present relieved of 75 per cent. of its rates and which next year is to be relieved of the whole of its rates, these notice boards: Eligible land for building purposes"; and, if you inquire the price of it, you find that it is not the agricultural value of the land that is asked, but 10, 20, 50, or even 100 times the value that could have been obtained for the land a few years ago. May I appeal again to a high authority: It does not matter where you look, or What examples you select, you will see that every form of enterprise, every step in material progress, is only undertaken after the land monopolist has skimmed the cream off for himself. Everywhere to-day the man or the public body who wishes to put land to its highest use is forced to pay a preliminary fine in land values to the man who is putting it, not to an

increased use, but, in some cases, to no use at all. [43](#) That is the opinion of the Chancellor of the Exchequer.

These instances of land values created by public expenditure for the needs of the community are well known to everyone. Less than two years ago the Corporation of Liverpool, anxious to carry out a street improvement, had to pay at the rate of £1,500,000 an acre for land. Every penny of that value had been created for the population by the industry and enterprise of the City of Liverpool. Again, take Sheffield, a city which is groaning under the burden of excessive local rates to-day. They wanted land for a school, and they had to pay 820 years' purchase on the rateable value of the land. They wanted to widen a street, and they had to pay 846 years' purchase upon the rateable value of the land. With regard to housing, I have here a case from South Shields. There were 9 acres of agricultural land just developed for building purposes. Sixty houses have been put on that site, and they are paying in ground rent £432 a year, yet before that land was needed for housing purposes its annual income was £38.

There is the man who keeps a large plot in or near a growing town idle for years while it is ripening, that is to say, while it is rising in price through the exertions of the surrounding community and the need of the community for more room to live. I dare say you have formed your own opinion upon it. The Conservative party generally think that it is an admirable arrangement. They speak of the profits of land and the land monopolist as if they were the fruits of thrift and industry, and a pleasing example for the poorer classes to imitate. We do not take that view of the question. We think it is a dog-in-the-manger policy. We see the imposture upon the public, and we see the consequences in [44](#) crowded slums, in hampered commerce, in distorted or restricted development, and congested centres of population, and we say here and now to the land monopolist who is holding up his land—you shall judge for yourselves whether it is a fair offer or not—we say to the land monopolist, This property of yours might be put to immediate use with general advantage. It is at this moment saleable in the market at 10 times the value at which it is rated. If you choose to keep it idle in the expectation of still further unearned increment, then at least you shall be taxed on the true selling value. **That is the opinion, that is the conviction, of the Chancellor of the Exchequer; and what is he doing? Is he saying that to the land monopolist? No. He is saying to him, "Well done, thou good and faithful servant. You are only paying 25 per cent of a small rate on a very small assessment now. I will relieve you of rates**

altogether, and let you go on until this land has received an enormous further advance in value."

By-and-by industry will go out into these areas. The Chancellor of the Exchequer made a statement in his Budget speech with which I do not agree, though I quite realise that there may be two sides to that question, and two quite proper views. He seemed to regret the migration of industries from the highly congested areas into the country. I do not regret it; I think that it is a tendency which should be encouraged, and it is certainly one that cannot be prevented. I believe it will be a very great aid to production. If factories can be removed to places where they can be much more commodious, and where the workers can be better housed, I think that a very considerable improvement in productivity will result. I remember that some years ago a friend of mine, an engineer in Manchester, told me this very interesting fact. They had, he said, removed their factory two years before from the centre of Manchester into the country, and such had been the improvement in the efficiency of the workers that, at the old rate of wages and at the old hours, there had been such an increase of output that the whole costs of removal and of re-equipment had been covered in two years' time. However, that is by the way. When these works have gone out, it means roads, sewers, schools, lighting and the like. **The landlord has already, as the Chancellor of the Exchequer put it, 4.0 p.m 45** skimmed off the cream, but, owing to the high price he has got for the land, the rates are higher, because they have to be based upon a higher assessment. These results percolate through the whole of industry, and they are reflected in the increased price of every article we buy. What is the value of the sites of this country? I do not know—no one knows. We have not even an approximate estimate, but, at any rate, we can form some idea from those countries where they have accurate estimates of site values. Take New Zealand. In the last 47 years, the site value in New Zealand has increased from £62,000,000 to £339,000,000; in other words, from £129 per head of the population to £241 per head of the population. I do not think the average in this country would be as high as in New Zealand. If it were, the land values in this country would be worth £10,000,000,000. Even if it were £5,000,000,000, hon. Members can do a little simple sum in arithmetic and estimate what the annual income would be if the site values were rated, say, at 4d. or 5d. in the on the capital value.

Instead of the scheme for which financial provision has been made in this Bill, [46](#) **I wish that the Chancellor of the Exchequer had had the courage of his convictions. I know that his views upon this question have not changed—his circumstances have changed. I wish he had, therefore, proposed the transfer of rates to site values, which, as he knows, and everyone knows, are not the product of individual effort but rather a collective product.** It may be said that there are difficulties, but they have been successfully overcome in other countries, and, however great the difficulties may be, they are infinitesimal compared with the difficulties that will be experienced in carrying out the Government's scheme. This, as I said just now, is a scheme which is as I know, dear to the heart of the Chancellor of the Exchequer. He thinks about it day and night. He told us so quite recently. He said that it is never out of his mind. Now we submit this as an alternative proposal to the financial proposal which is embodied in this Bill. I have made no attack upon landowners. I do not blame them. They have a perfect right to take advantage of that of which the law permits them to take advantage. It is not they who are blameworthy, it is the State which is blameworthy, as long as it allows such a system to exist. I challenge the Chancellor of the Exchequer, and I challenge any Member on the other side to defend this system. Can anyone say that the fruits of local rates, the fruits of industry should not be retained by industry, but should go into the pockets of certain individuals who have contributed nothing by their labour or industry to the creation of that value? With confident belief in this we submit this Amendment to the House of Commons.