

Mr. Griffith-Boscawen (Dudley, Opp.): The question of rating, the question of local taxation, is no doubt one of very great importance. I admit it is not one of those party questions like Home Rule, the Parliament Bill, or Tariff Reform, which separate us so acutely on party lines. What I want to submit to the House is this: I say that on the broadest lines the rating system of this country is not just; its incidence is unfair, and drastic alteration is necessary in order that justice may be done. What is the position? As everybody knows, the whole rates of the country fall upon one class of property—that is land and houses.

Let us look at the people in the towns. My hon. Friend has referred largely to London. The average rating in London is 7s. 6d. in the pound. In some parts of London it is a great deal more—it is 12s. 1d. In Dudley, which I have the honour to represent here, it is 9s. 6d. In Tottenham, a large urban district close to London, which I specially mention, for a particular reason, it is 9s. 9d. I could give exactly the same sort of tale from Liverpool, Manchester, Glasgow, Birmingham, and other great cities. These rates continue to go up, and we find the most serious results following. Take, for example, London. Look at the industries which have been removed out of London in consequence of high rates. I remember when I was member for Tonbridge that a large printing works was sent there from London. The employers found the rates so high in London they therefore took their works to where the rates were lower. This meant the driving of capital out of London, and employment, too, leaving London. This is going on in the case of every large town at the present moment on account of high rates. Let me put it from another point of view. It is my privilege to be chairman of the Housing Committee of the London County Council. Our duty is, so far as we can—and we are merely doing what smaller bodies are doing in every large town—is to try to find sufficient accommodation for the working classes at such a reasonable rent as a working man can pay. What is one of our very greatest difficulties? It is that the rates are so high that the rents are raised to a point that the working man cannot possibly afford. If you take the operations of the London County Council, with regard to housing, you will see that we find it impossible to provide accommodation in central London for less than 3s. per room per week. In other parts of London it amounts to about 2s. 7d. per room per week. In districts outside the metropolis it is about 2s. 1d. It must be admitted that 3s. a room is an enormous rent for a working man to pay, and a very large proportion of this is due to the rates. I will give another example. I will take a case in which the right hon. Gentleman the President of the Local Government Board will be interested—a case from Battersea. I take the case of a tenement of two rooms in a block of dwellings in Battersea; the rent is 6s., of which 1s. 5½d. or 22 per cent. represents the rates. Let me take a case in Tottenham, outside London, where we have been endeavouring to set up a large number of cottage dwellings on the principle of drawing people to districts outside London where the rents are cheap. I take a three-roomed house in Tottenham; the rent is 7s. 6d. and no less than 1s. 8½d. represents the rates; and so, whether you look to the housing of the working classes or the employment of the people, or municipal enterprise generally, you are faced, at every turning by these high rates, which are constantly rising. It is absolutely necessary that the Government should assist us to keep them down.

What did the Chancellor of the Exchequer say? He said, we were to have, for the purpose of making good this deficiency, a part of the half share of the product of the Land Taxes, which was promised to the local authorities when the Budget of 1909 was going through. I say this is a most unfair proposal. That half-share was promised to the local authorities because it absolutely belonged to them, as an additional source of revenue to their local funds, and to use it in order to make up a deficiency caused by the Government in another part of the Budget, is in my opinion, not to keep faith with the local authorities. I certainly think, if there is to be this taxation upon Land Values, the whole of it, and not merely half of it, ought to have gone to the local authorities. A part of this increased value is, as I understand it, due to the presence of the community in the locality and expenditure of the rates.

Mr. Wedgwood: The whole of it.

Mr. Griffith-Boscawen: Very well, we will say the whole increased value is caused by the presence of the community, and the expenditure of the rates. If that is so, I want to know what right the Chancellor of the Exchequer has to any part of it. I said the "increased value," the hon. Member opposite says,

"the whole value," which makes the point stronger still. In my opinion, the whole of the product of these land taxes are local and ought to go to the local authorities. I say the only fair principle would be to recognise that certain services are essentially national in their character, and to provide that these national services should be almost entirely financed out of national funds. Education, for example, is essentially a national service. Again, the Poor Law is a national service, and has been so recognised over and over again, and it is most unjust that the whole cost of it should be paid by the local authorities with their very narrow basis of taxation. Take again, main roads; I think they are undoubtedly national. Take the case of a county, or county borough, which happens to have one of the great main roads of England, like the Great North Road, the Holyhead Road, or the Portsmouth Road running through it. That county has to maintain that particular main road at a high standard of efficiency, and at great cost in order to take motor-car, traction engine, and other traffic. There is no doubt that such a charge ought not to be purely local, and all charges like the Poor Law, the maintenance of pauper lunatics, and main roads undoubtedly ought to be considered national services, and should be paid for out of the National Exchequer.

Mr. Wedgwood (Newcastle-u-Lyme, Min.): I apologise to the hon. Member who preceded me for interrupting his extremely interesting speech. The object of my interruption was simply and solely to point out that when he alludes to the views of those who believe in the Taxation of Land Values, he must not be under the impression that we believe that only the increase is due to the community, because we hold the opinion that the whole value is the result and the creation of the community as a whole. We by no means say that it is the result of the expenditure of the ratepayers' money or of national money, but it is due to the presence and activity of the whole of the community.

The debate to-day has so far ranged almost entirely around the increase in the rates levied by local authorities. Speaking on behalf of the 143 Members who signed the Memorial which was presented to the Prime Minister at the end of last Session, I should like to point out that this question of the heavy growth of the rates, and the other increasing burdens upon local ratepayers is exercising as much attention and interest on this side of the House as amongst hon. Members opposite. We believe that these constantly growing burdens are something that the Government must consider at the earliest possible occasion, in order to secure an adjustment of local and Imperial taxation. I think I can fairly say that we on this side of the House agree with nearly everything the Mover and Seconder of this motion have urged upon the Government. The national character of such services as the care of lunatics, main roads, the police, and to a large extent the necessity for a largely increased grant both for education and the Poor Law, are as lively subjects of interest on this side of the House and with Liberal electors in the country as they are with electors who have returned hon. Members opposite. At first it seems rather absurd that electors and hon. Members of this House should take so much interest in this question when it means merely transferring money from one pocket to the other by taking funds out of the Imperial chest and putting it into the local chest. The local rates, far more than Imperial taxes, press upon industry very heavily. The hon. Member opposite spoke of the difficulties in Dudley in providing decent houses for the people. I will allude to a case in London where Sir Sidney Waterlow presented to the London County Council a very valuable site for the erection of working men's dwellings. The London County Council inquired into the practicability of building on that site, and they found, owing to the crushing burden of the rates, that it would not be a paying proposition to erect those houses. Exactly similar arguments apply to the construction of working-class dwellings in the part of the country from which I come, where the rates are higher than in London, for they are over 10s. in the pound. The result is that if anyone contemplates increasing manufactories or making municipal improvements he has to face the fact that such improvements will be subject to a 50 per cent. tax, and that has to be taken into consideration when the return upon the money invested is being considered. That is a tremendous disadvantage to the industries of this country. The difficulty of getting suitable houses for the working classes and the difficulty of establishing local industries has led to protests against the ever-increasing burden of the rates.

We want a real definite change in the system whereby these grants are allocated in relief of the local rates. The whole thing was gone into by the Royal Commission

to which the hon. Member for Fulham alluded in such eulogistic terms this afternoon. The Royal Commission on Local Taxation reported in 1901, and the Minority Report of that Commission was signed by Sir George Murray, the permanent Secretary to the Treasury, Lord Balfour of Burleigh, Lord Kinross, and Sir Edward Hamilton. Such experts in finance as those made one definite statement about this relief to the local rates, which I should like to read to the House because it is one of those fundamental considerations which have to be taken into account in considering the real adjustment of local and Imperial finance. After dealing with the incidence of rates, they sum up as follows:—

Accordingly, unless the owners of ground values are to be relieved at the expense of the taxpayers, a course which probably no one would advocate, it seems most necessary to accompany the increase of subventions by the imposition of a Site Value Rate.

That seems to be the whole kernel of the matter. Unless you are going simply to put money into the landlords' pockets by subventions in aid of the rates, this course must be taken. Many leading Conservative Statesmen recognise the position in this matter as fully and as absolutely as those who signed that Minority Report, and as fully as we do ourselves. The right hon. Gentleman the Member for Wimbledon (Mr. Chaplin), who is a great authority on local taxation, stated publicly in this House that:—

If rates increased, rents decreased. If rates decreased, rents increased.

There you have the whole question summed up. If you are going to relieve local rates so that rates decrease, then we ought not to be satisfied as a result with finding rents increase. I am quite aware that the right hon. Gentleman the Member for Wimbledon takes an extreme view on this question, but Professor Marshall and Professor Sedgwick do not go so far. They would say that in so far as rates fall upon improvements, they are borne, not by the landlord, but by the occupier. The view I am expressing was put even more forcibly by that great financier, Lord Goschen, who was chairman of the Committee which dealt with this question, and which sat in 1871. Upon this subject we have had a series of Royal Commissions, and although they have all reported, nothing has been done. Lord Goschen, writing to Sir Julian Goldsmid, who was making almost exactly the same suggestion that comes so often from the Conservative Benches that we should relieve local rates without a tax on land values, replied as follows:—

It has been correctly held as an axiom that rates on lands constitute a kind of rent-charge upon those lands for the benefit of the public. You, however, ignore these hereditary burdens altogether. Your plea includes the relief of the owners of the lands from burdens they have borne for centuries, which have entered into the selling value of those lands, and have been taken into account in every transaction connected with them.

In the past, when land has been bought and sold, the transaction has taken place subject to certain charges in connection with it, such as the Land Tax, the charge for the support of the poor, or a charge for educating the people. All those charges are inherent to the possession of land, and purchasers take them into account. The right hon. Gentleman the Secretary of State for War (Mr. Haldane), stated in this House 14 or 15 years ago:—

Undoubtedly the relief which the dole—the Agricultural Rating Acts of 1896—would give would go to the benefit of the landlord class almost exclusively.

I think that will show there was a general consensus of opinion upon all sides of the House, Conservatives of old standing as well as Members on this side of the House, that this relief to the local rates must be raised by a rate or a tax upon land values if there is to be a fair exchange. What is the proposition we are specially urging upon the Government at the present time? We say we want £10,000,000 in relief of local rates, and that that £10,000,000 should be raised by a universal tax upon land values. In making that tax, we should be doing no injustice to landlords as a whole; we should be changing the already existing burden upon the landlords by putting it upon a standard which would lead to the best possible use of the land. For instance, the landlord who is developing his land, who is a good landlord, making two blades of grass grow where one grew before, who is making improvements, and who finds himself rated still higher, will get a benefit in the relief of rates; and the landlord on the other hand who does not allow his coal seams to be used, holds up his land round towns, and refuses to allow his land

to be used for small holdings, preferring to keep it in large farms, will find himself called upon to pay more, but will be able to put himself right and have no extra burden upon his shoulders if he allows his mines to be worked and his fields to be used as small holdings. We are not taking any extra sum from landlords as a whole, but are merely calling upon them to contribute on a more equitable basis between themselves and on a basis or standard which shall lead to the best possible use of the land and to an increase of employment in the country.

Hon. Members opposite and on this side of the House will remember very well that last year the Chancellor of the Exchequer gave a fresh rebate to those who paid income tax on Schedule A. It was an alteration intended to facilitate the improvement of properties and to give some assistance to those landlords who put their money, their capital, their brains, and their energy into producing more from the land of England. It was in the right direction, but what we ask the Government to do is to cease altogether to collect Schedule A. of the Income Tax upon the annual value of the property. We ask that, instead of the 1s. 2d. in the £ on the annual value, the tax should be levied as 6d.—which is the equivalent of 1s. 2d. in the £—upon the capital value of the property, and that then all improvements should have a rebate of 50 per cent. upon that capital value. We calculate that by that means a sum of money slightly but sufficiently in excess of the present return of Schedule A. of the Income Tax would be raised. It would bring in, exactly as Sir William Harcourt's Death Duties did, an increased revenue from all those lands which are not being fully used or which are not being economically used at the present time, and the remission of 50 per cent. upon the improvements would act as a far more substantial inducement to landlords to improve their properties than the small extra rebate they got from the Budget of 1909-10.

Our object has too often been misconstrued. We are not primarily anxious to put a tax upon Land Values. What we are more anxious for even than that is to take off all taxation on improvements so as to induce people to improve their property. Here we have a chance of embodying our Taxation of Land Values and yet bringing it forward in a guise which I hope will be popular and will be well received by landlords all over the country. It will raise no more money from them than at present, but give them a distinct bonus, and it will be a very solid inducement to all good landlords who will develop their property if they get a chance to make those developments—not entirely free, it is true, though I hope we shall come to universal free improvement shortly—without all the heavy penalties which are at present laid upon the improving landlord.

Mr. Harris (Paddington S. Opp.): Schemes of taxation based on the assumption that site values do not contribute at the present time to local taxation and which propose to set aside existing contracts are obviously inequitable if the view taken by the Royal Commission is correct, that the incidence of the rates is to a large measure at any rate upon the owners of site values at the present time. But, whatever view may be taken, as to how site values should be taxed, and I am afraid the controversy is not settled yet, no one disputes the appropriateness and even the necessity of site values as a source of local taxation. I should like to clear away a misapprehension which exists upon this question of the municipal idea of taxing site values. I observe that the Prime Minister sometime back twitted Lord Rosebery with having approved this idea, and appeared to think that he was thereby precluded from objecting to the policy of what was then the Budget, but is now the Finance Act, 1909. But the policy of that Finance Act and the municipal idea of taxing ground values are quite different things. The policy of the Finance Act was to tax land values on every kind of property for Imperial purposes—purposes to which I think all kinds of property ought to contribute equally. The municipal idea of taxing site values was quite different. The proposal was that owners of site values should contribute directly, and everyone agrees that they should so contribute, and most economic authorities hold that they do contribute at present, though indirectly. That was a perfectly legitimate object to desire, and it does not involve any undue discrimination between different kinds of property, because, admittedly, a great deal of local expenditure tends to bring special advantages to the owners of site values, and there is this further consideration, that direct contributions by owners towards local expenditure would go in relief of the burdens they now bear, though indirectly. The question then, I think, we are entitled to put to the Government, when the whole question of the relations and the municipal authorities is at stake is—Are they prepared to give the go-by entirely to the