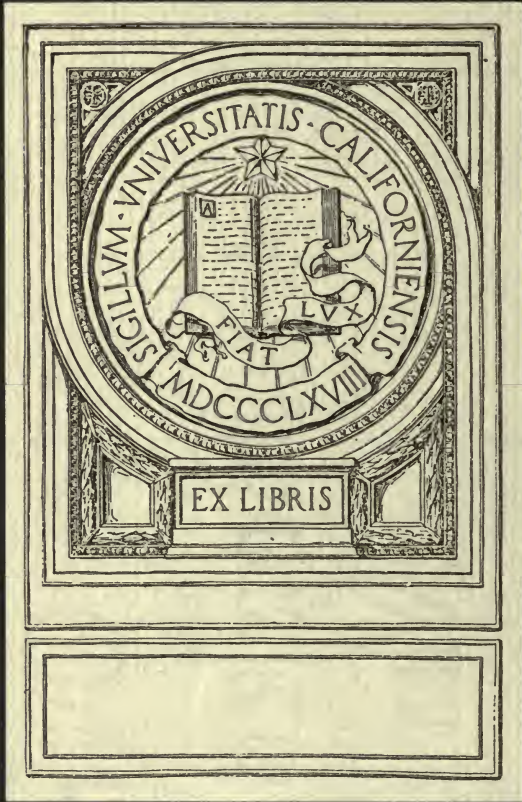


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# HOUSING:

The Growth of State Interest and Control  
and what it may lead to,

Being a Lecture delivered before the Royal Philosophical  
Society of Glasgow, on 1st December, 1920.)

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# HOUSING:

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(Being a Lecture delivered before the Royal Philosophical  
Society of Glasgow, on 1st December, 1920.)

BY

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# HOUSING :

## The Growth of State Interest and Control and what it may lead to.

THE housing question—or, to be more explicit, the problems connected with the housing of the people are not of recent origin. They have engaged the attention of philanthropists, statesmen, and Parliaments for generations. Complexity and difficulty have increased as time has gone on, and while the State has toyed with the question of direct public control of the housing of the people, an outstandingly important step was taken last year when the duty was unequivocally placed upon local authorities to take adequate measures from time to time, and as often as occasion requires, by way of providing suitable and sufficient houses for the working classes.

Prior to the middle of the nineteenth century the housing problem, as we now understand it, did not exist. Insanitary conditions were, of course, woefully common and widespread, but, having regard to the different standards which prevailed, and to the general distribution of the population throughout the urban and rural districts of Scotland, it is not surprising that in the earlier decades of the century the dangers of insanitary modes of living were not so obvious as to compel recognition and to demand the application of remedial measures. It was only when the effects of that group of economic forces collectively known as the industrial revolution had penetrated into the lowlands of Scotland that public attention was arrested by the invasion of the towns and villages by increasing masses of regularly and casually employed workers, compelled to reside as near to their work as possible, and in most cases unable to afford the



expense of any but the most humble homes. Even under modern conditions, and with the powers and funds now at their disposal, the resources and ingenuity of local authorities would have been taxed to their utmost in the attempt to regulate the housing of so large a proportion of the population. The undeveloped authorities of the time, so far from adequately coping with the situation, totally failed in most instances to appreciate its significance, not only to those immediately concerned, but to the community at large; and in some cases even contributed to accentuate the overcrowding and overhousing by acquiring for the erection of public buildings sites which were urgently needed for workers' dwellings. By the united operation of these causes, combined with the rapid increase in numbers of the lowest strata of the population, there was produced by 1840 that serious menace to the public health and general well-being of the country for which a complete remedy has not yet been provided.

A study of the earlier laws relating to the housing of the people is both interesting and informative, as showing the views taken by the Legislature at various periods, and the provisions which were conceived to be appropriate for dealing with this all-important social question.

The first housing enactment of note was passed in 1846 as one of the fruits of the agitation of the small band of philanthropists, headed by the Earl of Shaftesbury, to whose unremitting efforts were due so many humanitarian provisions which were added to the statute book about this time in the teeth of opposition of the supporters of the *laissez-faire* doctrine. This statute was the Nuisances Removal and Contagious Diseases Act, 9 & 10 Vict. c. 96, and it provided that if two medical men certified to a burgh authority that any dwelling-house or other building was in "a filthy and unwholesome condition," the burgh authority might apply to the Sheriff for an order calling upon the owner to remove the nuisance.

Unfortunately this enactment proved a dead letter, and two years later there was passed an amending Act, namely, the Nuisances and Contagious Diseases Act, 1848, 11 & 12 Vict. c. 123.



Such evidence as is available points to the view that resort was rarely had to the powers provided by these statutes, and that negligible results were achieved.

Meantime the housing problem began to take a strong hold upon the public imagination, and the important discovery was made that the application of measures designed merely to improve existing property, much less the piecemeal removal of only the most flagrant plague spots, would never cure the malady unless definite action was taken simultaneously with a view to providing additional accommodation of a suitable character. The Earl of Shaftesbury won general acceptance for this view and for the State's corporate responsibility in relation thereto, by carrying into law the Labouring Classes' Lodging-Houses Act of 1851, 14 & 15 Vict. c. 34, which empowered local authorities to provide and maintain "lodging-houses" for the artisan labouring classes; but it was on private enterprise rather than on State intervention that public opinion relied for the provision of the necessary housing accommodation. In 1847 operations were commenced by the Metropolitan Association for Improving the Dwellings of the Industrial Classes, one of the first of the semi-philanthropic associations whose efforts both in London and throughout the country have done so much to provide sanitary and convenient dwellings on sites previously occupied by slums of the worst character. Unfortunately Scotland had no George Peabody to take the lead in financial undertakings of this nature, but sufficient reliance was placed in private enterprise to justify the passing into law in 1855 of the Dwelling-Houses (Scotland) Act, 18 & 19 Vict. c. 88, a somewhat singular enactment (which did not apply in counties) designed to encourage and regularise the formation of associations for the erection or improvement of dwelling-houses for the working classes.

In the following year (1856) a definite advance in "improvement" legislation was made by the third Nuisances Removal Act, 19 & 20 Vict. c. 103, which proceeded upon the recital that the earlier Acts of 1846 and 1848 had failed to attain their object.

In this Act we find for the first time the expression which

has since become so common, "unfit for human habitation."

In view of the difficulty of obtaining money for such voluntary associations as it was the object of the Dwelling-Houses (Scotland) Act of 1855 to encourage, another Act was passed intituled "An Act to enable the Public Works Loan Commissioners to make advances towards the erection of dwellings for the labouring classes." This Act was known as "The Labouring Classes' Dwelling-Houses Act, 1866," 29 & 30 Vict. c. 28, and was deemed to be incorporated with, and was to be taken as part of the Labouring Classes' Lodging-Houses Act, 1851, which had applied only to England.

The Act of 1866 marks the first admission on the part of the Government of a duty, however limited, to lend financial assistance in the provision of housing.

Simultaneously with the problem of additional housing, the question of the improvement of existing accommodation and the demolition of houses unfit for human habitation had been under careful consideration, and in the Public Health (Scotland) Act, 1867, 30 & 31 Vict. c. 101, special attention was given to the eradication of nuisances, while a special section was devoted to an attack upon "underground dwellings."

The 1867 Act was a comprehensive measure and dealt with many aspects of public health, including sanitation, hospital provision, the appointment of medical officers and sanitary inspectors and the like.

The next Act which followed was limited in its application to burghs and police burghs. It was intituled "An Act to provide better dwellings for artisans and labourers," and was known as "The Artisans' and Labourers' Dwellings Act, 1868," 31 & 32 Vict. c. 130. Under this Act certain powers were conferred on local authorities as regards houses occupied by the working classes which were unfit for human habitation.

The Artisans' and Labourers' Dwellings Improvement (Scotland) Act, 1875, 38 & 39 Vict. c. 49, was an Act "for facilitating the improvement of the dwellings of the work-

ing classes in large towns in Scotland," and introduced a new feature, as it authorised local authorities to deal with unhealthy areas by means of an improvement scheme. It applied only to Royal and Parliamentary burghs in Scotland containing, according to the last published census for the time being, a population of 25,000 and upwards.

The Act of 1875 was followed by the Public Works Loans Act, 1879, 42 & 43 Vict. c. 77, which was "An Act to amend the Acts relating to the Public Works Loan Commissioners" and for other purposes, and made provision for advances being made by the Public Works Loan Commissioners.

The next Act was the Artisans' Dwellings Act, 1882, 45 & 46 Vict. c. 54, which was intituled "An Act to amend the Artisans' and Labourers' Dwellings Act."

All the sections of Part I. applied only to England.

Part II., however, which applied to Scotland, provided that if in any place to which the Artisans' and Labourers' Dwellings Act of 1868 applied it was found that any building was an "obstructive building" and impeded ventilation, steps could be taken in terms of the Act to have it pulled down.

It is interesting to note that under sub-section (8) of section 8 of this Act, what is now popularly known as the principle of *betterment* was recognised.

Prior to the Act of 1890, which was a consolidating Act, the last of the housing statutes was intituled "An Act to amend the law relating to dwellings of the working classes, and was known as the Housing of the Working Classes Act, 1885," 48 & 49 Vict. c. 72. The Act of 1885, though of comparatively recent date, is now only of historical interest, and is merely a link in the chain connecting the earlier legislation with that of the present day.

The Housing of the Working Classes Act, 1890, consolidated the provisions (so far as retained) of the repealed Acts, and introduced considerable amendments. While the original provisions of this Act have since been in many respects superseded, and in other important respects extended and enlarged by subsequent legislation, it is still referred to as "the principal Act."



Part I. of the Act dealt with "unhealthy areas," and applied to burghs only. The local authority, if satisfied of the unhealthiness of a district, are empowered to make a scheme for its improvement.

Part II. of the Act deals with "unhealthy dwellings," *i.e.*, houses unfit for human habitation, and *now applies* to both burghs and rural areas. Provision is made for a closing order where necessary and the demolition of such houses. In areas where houses have been closed under a closing order the local authority is empowered to proceed with reconstruction schemes.

Obstructive buildings also come within the purview of this part of the Act, and, if necessary for the remedying of evils arising therefrom, such buildings can be pulled down.

Part III. of the Act, which was adoptive, contained the substantive provisions empowering local authorities to acquire land and erect buildings suitable for lodging-houses for the working classes.

It may be of interest to refer briefly here to the extent to which those powers have been exercised by local authorities, and this can best be done by quoting the following extract from the Minority Report of the Royal Commission on the Housing of the Industrial Population of Scotland, afterwards referred to.

From a table contained in the report it is found "that all the housing already provided by local authorities throughout the whole of Scotland was only sufficient to accommodate 3484 families out of a total of separate families (as given in the census of 1911) of 1,949,147, or in the cities dealt with, of 346,387. In four only of these burghs (Glasgow, Greenock, Perth, and Oban) do the houses provided equal 1 per cent. of the whole, and in these it may be said that the Town Council has made an appreciable contribution to the housing of the burgh. Indeed, Glasgow has rehoused approximately the same number of persons (and nearly the same percentage of the population of the city before the last extension) as have been rehoused in the much more celebrated Liverpool housing schemes."

The Local Government Board has issued a return which

seems to bear out the contention that local authorities have not shown any great eagerness in the past to provide houses. It gives the number of schemes either initiated or contemplated by local authorities and approved by the Board up to March, 1915.

These are grouped under the following six headings:—

(a) Schemes approved by the Board since 1913, -	8
(b) Schemes being considered by the Board, -	14
(c) Schemes on point of submission to the Board, -	1
(d) Schemes under preparation, - - - -	11
(e) Local authorities considering schemes, - -	16
(f) Local authorities with whom the Board are in communication, - - - - -	10

A further return also supplied by the Local Government Board gives the extent of such operations promoted by local authorities during the year 1913, and in the twenty-third year after the passing of the 1890 Act, which shows that for the whole of Scotland, for that year, the financial obligations undertaken by local authorities for housing amounted to rather less than £21,000.

The Burgh Police (Scotland) Act, 1892, was a statute of far-reaching importance, and contained many excellent provisions relating to the housing of the people.

The Public Health (Scotland) Act, 1897 (a very important measure), did not essentially deal with the housing of the working classes, although it introduced far-reaching provisions relating to the construction of houses in county areas.

The Housing of the Working Classes Act of 1903, which mainly dealt with certain minor amendments, did not until 1909 apply to Scotland.

One of its most important provisions was to the effect that Part III. of the Act of 1890, dealing with the provision of houses for the working classes, was to extend to, and take effect in, every burgh and district in Scotland for which it had not been adopted, as if it had been so adopted.

The next important phase in the housing question in Scotland was the appointment of a Royal Commission in 1912. The duty entrusted to the Commissioners by the Royal

Warrant, dated 30th October, 1912, was "to inquire into the housing of the industrial population of Scotland, rural and urban (with special reference in the rural districts to the housing of miners and agricultural labourers), and to report what legislative or administrative action is, in their opinion, desirable to remedy existing defects."

The Commissioners examined numerous witnesses, made various visits of inspection, obtained returns from local authorities, and supplemented the information thus gained by instructing special investigation by technical officials.

Startling figures are given as to the housing conditions in Scotland.

The Commission found that in 1911 45.1 per cent. of the population were living more than two in a room, 21.9 per cent. more than three in a room, and 8.6 more than four in a room. In 1911 there were 129,731 single-apartment houses in Scotland, equal to 12.8 per cent. of the total number of houses. In the same year there were 409,355 two-apartment houses in Scotland, equal to 40.4 per cent. of the total number of houses. Of the population in Scotland, 8.4 per cent. (about 400,000 people) live in single-apartment houses, and 39.5 per cent., or about 1,881,529 people, live in two-apartment houses, as against 1.3 per cent. and 5.8 per cent. respectively in England and Wales.

The Commission Report was presented in 1917, and the statute which followed its submission was the Housing, Town Planning, &c. (Scotland), Act, 1919.

The Act of 1919 probably provides the greatest advance in housing legislation.

There is now introduced for the first time in connection with the housing of the people a direct, comprehensive, and effective code to secure (*a*) that there shall be a sufficiency of housing accommodation at all times in every district, and (*b*) that necessary schemes of improvement of unhealthy areas shall be satisfactorily and expeditiously carried out.

Should any approved scheme under Part III. or any rehousing scheme under Part I. or Part II. of the principal Act, or any scheme for the provision of houses for their employees by a County Council result in a loss, the Board of Health



must, if the scheme is carried out within the period specified by the Board, pay to the local authority or the County Council, as the case may be, such part of the loss as may be determined to be payable by regulations made by the Board.

Far-reaching provisions are included in the Act for encouraging the provision of houses by public utility societies and housing trusts. Local authorities are empowered to promote and assist a public utility society whose objects include the erection, improvement, or management of houses for the working classes. The Treasury may also contribute towards the cost of carrying out schemes by public utility societies and housing trusts.

Local authorities may lend to the owner of a house or building the whole or any part of such sum as may be necessary to defray the cost of works of reconstruction, enlargement, or improvement of the house or building to make the same fit for habitation as a house or houses for the working classes.

It is provided that it shall not be lawful for any person, without the consent of the local authority, to erect any house intended for human habitation with less accommodation than three apartments.

There are many other minor provisions in the Act as well as amendments of the Housing Acts and the Small Dwellings Acquisition Act, 1899. Under the latter Act, as amended by the Housing, Town Planning, &c. (Scotland), Act, 1919, the amount which can now be advanced by a local authority for the purchase of small houses is 85 per cent. of the market value of the ownership, and the value of the house on which the advance may be made is extended to £800.

Taken altogether, the measure is a fairly comprehensive one, and gives effect to a number of the recommendations urged by the Housing Commission. It essentially secures, as already mentioned, that there shall be a duty upon all local authorities to see to it that at all times there is adequate housing accommodation in their district for the working classes, and it seeks to raise appreciably the whole standard of housing in Scotland for the future.

The Housing (Additional Powers) Act, 1919, a supple-

mentary measure designed to meet the deficiencies disclosed by a few months' practical experience of the Act passed earlier in the year, received the Royal assent so recently as 23rd December, 1919. Its leading sections had for their object the encouragement of private enterprise in the building of dwelling-houses by means of the payment of subsidies (ranging up to £260 per house), while the Act also contains provisions for regulating the erection of buildings other than dwelling-houses, and for preventing the demolition of dwelling-houses, or their conversion to other purposes.

Having dealt with the course of legislation in the sphere of housing, it will be of interest to show the liability that has now been undertaken by local authorities and the State in the matter of providing—as a first discharge of the duty now placed upon them by statute—the houses necessary to meet the needs of the working classes throughout the country.

It is estimated that the following numbers of houses are required, and that local authorities have either propounded or will propound schemes dealing with those numbers:—

England and Wales,	-	-	-	-	500,000
Scotland,	-	-	-	-	236,000
					736,000

The cost per house has, of course, varied, and will vary according to the time of erection and the locality in which it is to be built. But it may be said that an average price of £1000 per house is well within the mark. 736,000 houses at £1000 per house means 736 millions of money. Local authorities are to be responsible for meeting any deficit between the rentals obtained and the outgoings on the scheme to the extent, in England of 1d. per £, and in Scotland 4-5ths of 1d. per £, on the rateable valuation. It is impossible at this stage of development of the country's housing programme to give with any accuracy an estimate of the deficiency that will accrue on housing schemes and the amount of the annual charge that will fall to be borne by the State and by the local authorities of the country. A

rough computation of the position, however, may be attempted. The following statement shows the annual expenditure referable to a house costing £1000, with interest based at 5 per cent. and 6 per cent. respectively:—

	5 per cent.	6 per cent.
Repayment of principal and interest (annuity method 60 years), - - -	£52 16 0	£61 13 0
Feu-duty, - - -	1 0 0	1 0 0
Rates, &c., - - -	28 6 8	32 16 8
Repairs, - - -	1 10 0	1 10 0
Insurance, - - -	0 15 0	0 15 0
Supervision and management,	0 15 0	0 15 0
Requiring the exaction on economic grounds of a rental of, say, -	£85 0 0	£98 10 0

If we assume that an average rental of £30 will be obtained (and that is assuming a fairly generous figure for Scotland at all events), we find that the deficit per house per annum is, say, £60. On 736,000 houses that reaches the staggering total of over 44 millions (30 millions for England and 14 millions for Scotland) to be met each year—by the local authorities to the extent of the produce of 1d. per £ on their valuation in England, and to the extent of the produce of 4-5ths of 1d. per £ on their valuation in Scotland. The total valuation of Scotland is about £35,510,205, and 4-5ths of 1d. on same yields £118,368. That leaves to be found by the State each year, so far as Scotland is concerned, £13,881,632. These figures are, of course, very broad and general. The whole valuation of Scotland will not be concerned, as certain communities will not be building. Again, valuation figures will alter from year to year, and rentals will also change periodically. This current year valuations have been increased to the extent permitted by the Rent Restriction Act in the case of houses occupied by tenant occupiers, and in the case of houses occupied by owners in varying degrees from 15 per cent. to 25 per cent. The rateable value of public works has also

been substantially raised. The valuation of Scotland must in consequence have been increased by several million pounds. But the figures may at all events convey a general indication of the liabilities which a full scheme of housing provision may entail upon the State and upon the local authorities of the country. It may further be premised, as afterwards explained, that the large total of houses mentioned is not likely to be provided under the present State-aided arrangements, but, on the other hand, there will fall to be added to the financial commitments the State-aid or subsidy to be afforded to (1) schemes of reconstruction; (2) public utility societies; (3) private builders; and (4) local authority employees' housing. And the expenditure on housing will not stop with the provision of the new houses. As a consequence of their provision, the whole standard of housing will be raised. It may, I think, be taken for granted that immediately a fair number of houses are erected a crusade will start for securing a raising of the standard of existing dwellings. In many cases owners will not be able out of their resources to conform to the new standard, and their houses will be closed. Local authorities will, consequently, be obliged to build additional houses. The point of this will be appreciated. It is obvious that when new houses are available at moderate rentals the tenants of old houses will not be content to remain satisfied with their living conditions. Furthermore, until the improved standard is reached, the tendency, as additional houses are provided, will be to depreciate the rentals of the inferior houses by reason of their comparison with the new houses. Reconstruction schemes will inevitably be forced on at enormous expense.

It is, of course, manifestly impossible to contemplate the exaction of a rental of £80 or £90 for the houses, and the State scheme of subsidy, therefore, at once finds its justification and vindication. So long as wages and living conditions are in the realm of present figures, an economic rental for the houses could not possibly be demanded.

The situation and the conditions which had to be dealt with could only have been considered as wholly exceptional and



emergency in their character. There can be no other good reason for asking the State or the local authority to subsidise house rents or to make grants to persons building houses. The principle of subsidy, while undesirable and economically unsound, had *of necessity* to be applied in many directions during and as a result of the war; in other words, State assistance and control were inevitable so long as emergency and unsettled conditions prevailed to the serious extent that they did prevail. But the demand on all hands now is for decontrol and for the cesser of subsidies in order that trade and industry may re-establish themselves on the ordinary lines and according to ordinary economic and commercial principles—in short, the cry is that the law of supply and demand should again operate and that State intervention should cease. In that view there may be general agreement. But it is quite impossible to apply it under present conditions in the case of the building of houses. If the houses are to be built privately, the builders must obtain a sufficient return for their expenditure; in other words, a full economic rent must be charged and be chargeable for the houses. But it is manifestly impossible to obtain such a rent. The only alternative would be to raise wages so as to enable the working classes to pay an economic rent; but that process again would create difficulties of such a complex and serious nature that it cannot be considered feasible. It would mean that industry and commerce would be seriously handicapped; it would introduce serious inequalities as between those members of the working classes who occupy existing houses and those who are to occupy the new houses, and generally would be quite unworkable. Accordingly, the bringing in of the State and the local authorities to write off as an emergency liability the deficit that is to accrue between a normal rent and the outgoings is probably the one and only method of solving the situation with which the country is faced. But what may be the effect of such a policy?

It is argued that as a result of the new duties placed upon local authorities by the Housing Act of 1919, and in view of the enormous house building programme which they are to

carry out, and having regard also to the fact that the State has now committed itself to a policy of financial assistance, private enterprise in the matter of providing houses for the working classes\* can never be resuscitated, and probably such a statement of the position is fairly near to the truth. Private builders can only build if they are to have a profit. Without State assistance it would not be possible for them to build and let, or to build and sell houses which cannot command a full economic return by way of rental. The only alternative to the situation is, as already mentioned, to have the earnings of the working classes brought up to such an amount that they can pay their way for all the necessaries of life without assistance from any one. However desirable such a state of matters might be, it does not seem to be a feasible or practicable solution under present-day conditions.

The provision of houses by local authorities is not necessarily to be confined to their immediate house building schemes. The statute of 1919 not only makes no qualification as regards time in this connection, but requires local authorities after the preparation of their initial scheme dealing with the needs of their area, to prepare a scheme for the provision of houses for the working classes *as often as occasion requires*. The financial provisions of the statute, however, limit the State assistance to be given to local authorities to cases where approved schemes have been carried out within such period after the passing of the Act (August, 1919) as may under regulations be specified by the Board of Health with the consent of the Treasury. The period allowed under the regulations (which have been made in terms of the statute) within which the approved schemes must be carried out in order to earn the State assistance is three years after the passing of the Act, but it is provided that this period may be extended if local or general circumstances render it, in the opinion of the Board, necessary that an extension of time should be granted. In view of the lamentably slow progress that has been made with building

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\* The term "working classes" is not limited to those popularly known as working men. It now receives a liberal interpretation *vide* the Scottish Board of Health.



during the first year of this period, it is inconceivable that even a substantial number of the houses required can be provided within the prescribed term, and consequently there will be good reason for granting an extension of the three years' period. But the three years may be taken as an indication that the Government do not favour the granting of State aid for schemes that may be spread over the next ten, twenty, or thirty years. Accordingly, one may assume that the State do not contemplate that they will be called upon to render financial assistance for the enormous number of new houses which are required for the country as a whole as already referred to, and which cannot be provided for perhaps a considerable number of years. As afterwards mentioned, the Government have it in mind that economic conditions in the matter of the financing of houses should be in contemplation after 1927. If that view were to be realised the houses erected by local authorities after that date would not consequently receive any financial assistance from the State.

But the State's indebtedness—colossal as it is—will probably be reduced as time goes on. The recent Increase of Rents Act, which authorised a substantial increase in rentals, will mean that the rents of local authorities' houses will be computed on a higher basis. Further increases in rental may also come. The Government regulations aim at something more nearly approaching an economic rental after 1927, and while serious doubts may be expressed as to the likelihood of such a condition maturing, it may be said that rentals more commensurate with the cost of building will be fixed in future years, although this cannot be predicted with any certainty. Again, the increasing valuation of property will, as already mentioned, tend to the reduction of the deficit. But if the present system of rating is continued, a heavy and increasing liability will attach to house property, which may in turn have its effect in determining rental. It is well and prudent, however, that such increases of rental should come gradually. By such means the public will gradually realise that fair and reasonable house rents should be paid. The cry for cheap rents is

often a fallacious cry. It is not in the interests of the working classes that they should not pay a fair and proper rental for their houses. If the State or some one else subsidises house rents the workers' claims in the matter of wages (which should in normal circumstances suffice for meeting the needs of life) are at once prejudiced.

The liability of the local authorities, of course, will never be reduced throughout the whole period of borrowing of their State-aided scheme, although the amount of their contributions will vary according to their assessable valuation.

One might mention in passing here that an excellent opportunity will be afforded in the new order of things for the introduction of a simplified system of transfer of houses.\* Such a scheme operated on reasonable financial conditions and under suitable safeguards would be of inestimable worth. The purchase of the houses by the tenants would add to the stability of the country. It would enable a substantial reduction to be made in the national and local indebtedness, thereby reducing taxation, and generally would be a brake upon the more dangerous elements that might emerge under the immense Government-local authority house-owning scheme with which we are now confronted.

The Increase of Rents Acts have been adversely criticised, but it may be said that the regulation and control of house rentals in some form was in the circumstances an absolute necessity. The alarming shortage of dwellings throughout the country rendered the situation one of extreme danger, and, while one is disposed to think that the provisions of the earlier measure were to some extent inequitable, a much-improved and fairer method has now been recognised, namely, to permit certain specified increases of rentals consistent presumably with present-day conditions (as far as that is possible) and under suitable safeguards as regards habitability of the dwellings and otherwise. Control and regulation of rentals will require to be exercised for a number of years, but a variation of rentals should be provided for according to changing circumstances and conditions. To this one feels sure no serious objection can be urged.

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\* See Supplementary Note.

Let us look more closely at these broad facts and considerations and see what they lead to

1. Confining our attention to Scotland alone, we find that 236,000 new houses are advised as being required. The law requires that local authorities must provide adequate housing accommodation for the needs of their area. Houses are costing £1000 each, and an economic return would not be less than, say, £90. A larger rental than £25-£30 can hardly be expected, and accordingly the private builder as a house provider—that is, providing houses for the purpose of letting—cannot be considered as a factor in the solution of the matter. There may always, of course, be a limited number of small houses provided by the private builder for sale. If present economic conditions continue, or approximately continue, for the next twenty years, no other agency therefore than the local authority, assisted by the State, can provide the houses. If conditions were to moderate so that houses could be built and a commercial return obtained, private enterprise would no doubt resume. We were told that one of the most potent causes for private enterprise going out of house building was the legislation enacted in 1909-10. The increment duty under the land values clauses of the Finance Act of that year requiring payment to the State of 20 per cent. on any profit on the sale of a house, coupled with the judicial decisions (the Lumsden judgment), was said to have given the death-blow to the building of houses by the speculative builder. The land values provisions of 1909 have been repealed in the current year's Finance Act, and to that extent the situation, from the private builder's point of view, is consequently improved. But one fears that this alteration will not of itself induce the speculative builder to look favourably on a resumption of his calling. There were other causes which contributed to the elimination of the speculative builder such as over building (which showed itself a few years before the war in the number of empty houses) and the difficulty of getting financial assistance from sources formerly relied on to finance builders in view of the large number of houses that were unlet; and, in any case, the wholesale interposition of the local authority as a house



provider and the restraining influence which must in consequence be experienced, will, of itself, deter any serious return to the building industry by the speculative builder. It is dangerous to attempt prophecy as regards the economic affairs of our country, and one can hardly contemplate, even with every desire to be optimistic, that there will be such a fall in the prices of materials and in labour within the next decade or two to place the building of houses upon a commercial self-supporting basis. The figures already stated showing the return that would be required at once rule out the possibility of rentals in the realm of £80 or £90 being obtained. Wages would require to be raised enormously to permit of such rentals being paid, and this clearly is not a feasible proposition.

2. The next consideration is this—Assume that the State and the local authorities provide 236,000 houses in Scotland (and this represents provision for about a million and a quarter people), what will be the effect on, or relationship of, such ownership to the working-class houses owned by private persons. In justice to all interests, the rentals of privately owned houses and State-aided houses must approximate. If it were not so, an impossible situation would be created. Local authorities, uncontrolled in their dealings could, if they desired, as owners of such a large number of houses and the authorised providers of any additional houses that might be required, ruin private interests in housing. They could fix such low rents as would make the holding of property worthless. But the safeguard has been introduced that in respect of the State contribution towards the loss on local authority schemes, all schemes must be approved by the State, and all rentals must also be approved by them, or, at all events, fixed by an independent tribunal. This condition, of course, will only last so long as the State contribution continues, and, as already mentioned, the State evidently contemplates a limited building period over which their direct interest and assistance should extend. Certain rules have been laid down by the State which are to apply in the determination of rents for

schemes that are State-aided, and, as these are of great interest and importance, they may be stated—

\* \* \* \* \*

(1) The local authority, in first fixing the rents under an assisted scheme, shall have regard to—

- (a) The rents obtained in the locality for houses for the working classes;
- (b) Any increase of rent in the houses for the working classes, authorised under the Increase of Rent and Mortgage Interest (War Restrictions) Act, 1915, and any Acts amending or extending that Act;
- (c) Any superiority in the condition or amenity of the houses to be let by them under the assisted scheme, or in the accommodation provided therein; and
- (d) The classes of tenant in the district for whom the houses are provided.

(2) The rent to be charged after the 15th day of May, 1927, shall, if reasonably possible, having regard to the conditions then prevailing and to the classes of tenant in the district for whom the houses were provided, be sufficient to cover (in addition to the expenses of maintenance and management of the houses and a suitable allowance for depreciation) the interest which would have been payable on the capital cost of building the houses if they had been built after that date.

(3) If it is not found possible after the 15th day of May, 1927, to obtain the rent prescribed by rule 2, the rent shall be the best rent which can reasonably be obtained from the classes of tenant in the district for whom the houses were provided, regard being had to any superiority of such houses in accommodation, construction, or amenities, as compared with houses previously built in the district.

\* \* \* \* \*

3. It will therefore be apparent that in respect of the Government control of State-aided houses, if that control is properly exercised, privately owned houses may quite well

exist alongside the State-aided houses. The question arises, however, as to whether State approval of rents of *all* local authority houses should be required whether the houses are aided from Imperial funds or not. If privately owned houses are to exist alongside local authority houses, it would almost seem to be necessary that a neutral controlling agency as regards rentals should be introduced. If local authorities were left a free hand to fix rentals, inequalities would be rampant: one local authority might fix higher rentals than another, and the greatest possible confusion and injustice would ensue.

4. In the circumstances and under the conditions existing in the country, it would hardly be possible—pending the provision of a sufficient number of houses—for the Government to relax a measure of control as regards the rentals of privately owned houses. But such control, in justice to the owners of the houses and as a criterion or standard for the State-aided houses, should have regard to periodical review and revision according to the changing circumstances and conditions of the country. Under such a scheme of working a fair balance might quite well be maintained as between privately owned houses and State-aided houses.

5. The alternative to what has been mentioned would be for the State to acquire all privately owned houses for the working classes, and place the local authorities in full possession and control of the living conditions of the people. The advantages that might be claimed from such an arrangement would probably include these—

The public health interests would be thoroughly secured: litigation with offending or neglectful house owners would disappear: the allocation of houses more suitable to the requirements of tenants would be possible: under such a monopoly an economical system of supervision and control might be introduced: an opportunity would be afforded of fixing rentals throughout the country as a whole upon a more equitable or appropriate basis: in other words, excessive profits would be ruled out.



What would be the disadvantages? Such an arrangement would be a form of nationalisation and bureaucracy to the introduction of which many are opposed on the broad grounds that it strikes at the fundamental economic principles which have hitherto been considered as making for success in our country. If the principle were introduced as regards houses, why should it stop there: why should it not be extended to the feeding of the people, which is probably as important a matter as the housing of the people? It would enable the State and the local authorities at any time to reduce rentals and place large deficits on the Imperial and local resources; in other words, to subsidise house rents and also to subsidise particular classes or individuals. But, apart from these considerations, the cost of acquiring private houses would be enormous. It would involve the acquisition of all classes of houses, including inferior dwellings, and the mere threat would probably stop all enterprise. Again, heritable property contributes an enormous sum by way of property tax, not to speak of local rates. The burden would, it is feared, be too onerous in every sense to contemplate as a practical proposal.

Having regard to all that has been said, does the situation not lead us to consider whether the safer course to contemplate in this matter is to leave the privately owned working-class houses in the hands of the private owners and let matters operate in this way:—

- (a) The local authorities to provide houses for their areas at any time these may be required, and, where no other agency is prepared to provide them. This is obviously right and proper in the general interest of the public health of the country.
- (b) The State to periodically review and revise rentals of privately owned houses *until the emergency*

*period has passed*; in other words, until the present acute shortage has been fairly overcome. The State interest and control can in this way be used as an excellent restraining force to the inflation of house rents, and, although it may be urged that the law of supply and demand should operate, there are probably special circumstances which mark out the housing of the people from the ordinary run of commercial principles. The control of rentals of privately owned houses is certainly not free from objection in respect that it has a bad effect in the matter of heritable securities. It will tend to prevent owners securing loans over their properties. Under the recent restrictions holders of these securities have already suffered loss where it was necessary to realise them. The amount of trust and other funds lent on heritable security is very large indeed, and the effect of such restrictions in the matter of rental would no doubt be harmful. But so long as there is such an alarming shortage of houses the danger of no control is equally, or even more serious, and it is very much a matter of determining which method is the least objectionable.

- (c) The State to control and approve the schemes proposed by local authorities, and the rentals to be exacted for all local authority houses. If circumstances warrant it and rentals of privately owned houses go up, the rentals of State-aided houses will follow, and the State liability where that has been incurred will be reduced. In this connection, provision should be made for the more frequent revision of the estimates of local authorities under the Government financial regulations. These are to be prepared every ten years, but house rentals and other items connected with the upkeep of houses should be revised every three or five years. The interest rate on loans may also vary considerably in the

future. Accordingly, if such favourable conditions should arise that the State liability is substantially reduced in the future, consideration should equally be given to the reduction of the local liability and thus hasten the end of subsidies for houses. The probable deficit, however, between outgoings and rental each year is so enormous that there is little likelihood of the difference being so materially bridged during the period of loans on the schemes that this aspect of the case need be unduly pressed. A consideration that must not be overlooked is that the erection of a huge number of new houses will mean a very large additional revenue both to the State and to local authorities by way of taxation.

Another feature of the relationship of local authority houses to private houses *as regards the future* (i.e., after the State-aided period has passed) should perhaps be mentioned. If the rentals of privately owned houses were to go up in the future, and the rentals of local authority houses followed, the latter might be making a profit. But local authorities are not permitted to earn profits in any of their undertakings. The profits would naturally go to the improvement of the houses or the lowering of the rentals, and anomalies would probably arise in consequence as between the two sets of houses. There is probably no ground for apprehension so far as the subsidised period is concerned. It is after that period has passed, and the field is open to all, that the difficulty might arise. But, again, the rents of privately owned houses could only go up if either the economic conditions demanded an increase or there was a shortage of dwellings, and, as already mentioned, the local authority can always control the situation in the latter respect.

One other feature of the State-aided housing schemes might be referred to. In order to assist in the raising of the necessary money for financing the schemes, the *whole* rates of the local area, including all the property and assets

of the local authority, are pledged in security. Formerly the security was limited to the public health assessments of the area. As a consequence of this change the security as regards money loaned for purposes other than housing is decidedly weakened.

In surveying the situation, it will be appreciated that the housing of the people of this country is now in a totally different position from what it has ever been. The State interest and the interest of local authorities which was never too definite and specific is now emphatic and direct. Local authorities must ensure that there is adequate and suitable housing provision in their area; if they fail to act, the State may act in their place and charge the cost to the local authority. In this way the housing of the working classes for the future is in great measure taken out of the ordinary commercial laws and principles. There is, in short, a controlling factor for the future in the matter of the rentals that may be charged for dwelling-houses. The introduction of this compulsitor upon local authorities to see to the adequate provision of houses for the working classes in their districts at all time raises tremendous possibilities, and the carrying through by them of such a programme of house-building as was outlined by the Housing Commission will mean that a factor of enormous importance will be available which might, if uncontrolled, raise issue of the most serious import. The situation, however, may be fairly safeguarded by a prudent exercise of the powers of the new Act, coupled with the controlling conditions hereinbefore indicated. If some such conditions are provided, we need not, I think, be unduly concerned that any economic principle is being seriously invaded. Rather, we should consider the temporary subsidising of house property as a provision that had to be devised in order to meet an altogether exceptional state of affairs. Looked at critically, the essential interest and concern of the State and the local authority is not to build houses but to ensure that there is at all times a sufficiency of houses. In the interests of the health of the people there will always be hereafter a duty placed upon the local health authority to see to it that there



is adequate and suitable dwelling accommodation in every district. That is as it should be. Coupled with the other extensive powers which are now in the hands of local authorities to secure improved sanitation, amenity, lay-out, and good environment, the new legislation may go far if properly exercised in securing an improved standard of living conditions conducing to better health and greater happiness among the people of our country. If these desirable things are brought about, even the enormous cost with which the country is faced may prove to have been money well spent.

It has always to be kept in view that the tendency of the present economic changes is this, that in improving the living conditions of the working classes as ordinarily understood, the condition of the non-manual workers—wage-earners in shops, warehouses, offices, &c.—is adversely affected. The latter class are ill able to bear the increased cost of living, as their earnings have not increased, relatively speaking, in the same way as the tradesman's wages. In other words, the levelling-up process is accompanied by a lowering of the status of the other class—at all events, so far as their living conditions are concerned. Accordingly, it is difficult to see how local authorities can avoid allocating a certain proportion of the subsidised houses to that class, that is to say, if they are to get houses at all. There is little chance of those people getting houses otherwise, as private enterprise will only provide houses for those who can afford to buy them. The inevitable result will be that class distinctions as a basis for founding a claim to a subsidised house will pass away and the determining factor will be income. The only justification of a right to occupy a house let at an uneconomic rent should be founded on inability to pay a higher rent regardless of the fact whether a man earns his livelihood with a pick or a pen. In calculating income, consideration should be given to the total income coming into a house, whether earned by a man or members of his family residing with him. It is well known that many a highly paid tradesman has sons and daughters living in family with him, all earning good wages, the *cumulo* amount of which consider-

ably exceeds the income tax limit, and yet they pay no income tax, and are quite able to pay a house rent in excess of what is charged for the subsidised house. Are such people to receive preferential treatment over a man possibly in the same trade but with a young family who are not able to contribute towards the common support? Or, on the other hand, should a married man with a young family who is engaged in a clerical occupation be penalised simply because he is not a working man as that term is popularly understood? The Scottish Board of Health have so far appreciated the situation that they have agreed that a liberal interpretation should be given to the term "working classes," and local authorities can now exercise a great measure of discretion in the matter of the letting of their houses.

If there is differentiation in the treatment of people there is more likelihood of discontent than if there is equality of treatment, and it seems to me that the best way to meet the cry for State control of all house property is to make no distinctions as between classes in the matter of the letting of the new houses.

Let me mention one other thought: if State subsidised houses can be occupied by the salaried section of the middle classes as well as the working classes, a combination of interest will result. This may make for good or ill. Their interests will be common as regards getting the houses as cheaply as possible, and in this way the force in that direction will be the more formidable. On the other hand, the leavening of one class by the introduction of the other may have a modulating and tempering effect. Who can say? This, however, we may say, The immense house building scheme which has now been entered upon at the instance of local authorities carries with it many factors and possibilities other than the direct project of providing habitations for the people, and it behoves that a very careful watch should be exercised on the trend and movement which may result from such a radical change in the social, economic, and living condition of hundreds of thousands of the people of this country. No one can foresee the effects.

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## SUPPLEMENTARY NOTE.

### THE PURCHASE OF STATE-AIDED HOUSES BY TENANTS.

SINCE the foregoing paper was prepared an important step has been taken by the Legislature in the matter of facilities being afforded to tenants to purchase their houses.

It was suggested (at page 20 of the paper) that it would be very desirable that a simple system of transfer of the houses to tenants should be introduced which would not only make for stability in the country, but would ease the monetary indebtedness of the State. In the Housing (Scotland) Act, 1920, which has just been passed into law, the following provisions occur:—

“ The power conferred on local authorities by paragraph (d) of sub-section (1) of section 14 of the Housing, Town Planning, &c. (Scotland), Act, 1919, of selling houses shall include power with consent of the Board upon any such sale to agree to the price being paid by instalments or to payment of part of the price being secured by bond and disposition in security or otherwise upon the subjects sold.”

The two main considerations involved are—

- (1) The question of the price to be paid for the houses, and
- (2) The method by which the proposal that the tenant should acquire his house is to be carried out.

As regards the price to be paid for the house, this, of course, would vary according to the accommodation and also according to the market and other conditions prevailing at the date of the acquisition. It could not presumably be

expected, however, that under present conditions the local authority would be able to sell the house at or near the cost of its erection. It is suggested that a fair basis upon which the price might be fixed would be to allow at least as a deduction in the first instance an amount equivalent to the Government subsidy which would have been payable under the provisions of the Housing (Additional Powers) Act, 1919, had the house been erected by a private builder, and to make certain further concessions as hereinafter mentioned. This arrangement might apply for a period of, say, five years after the houses are erected.

As regards the manner in which a sale to the tenant would be carried out, the section above referred to provides for two methods, both of which have certain advantages. These are—

- (a) A sale subject to an arrangement that the price is to be paid by instalments; and
- (b) A sale subject to a bond and disposition in security or other security being granted in favour of the local authority for part of the price.

Under an arrangement for a sale upon the instalment principle, the following considerations emerge:—

(a) The instalments to be paid would require under ordinary circumstances to be moderate, and so fixed that the acquiring tenant would, without difficulty, be able to meet the payments as they fell due. In fixing the amount of the instalments, regard, of course, should be had to the fact that the houses were provided for the working classes. It is perhaps here that the main difficulty will arise. Assume that a house costs £1000; deduct therefrom a subsidy of, say, £250, leaving £750 to be met as a probable purchase price. The repayment of this sum by an equal annual instalment of principal and interest at 5 per cent. over a period of thirty years (and there would be difficulty in suggesting a longer period) would mean £48 15s. 9d. per annum. It would only be a very limited number of the working classes who could undertake such an obligation, and it is for consideration, therefore, if within a limited period of, say, five years

the Government should not, in view of the great advantages which will accrue to the State by the disposal of a number of the houses, agree to write off a further portion of the capital cost. Having regard to what the State obligations would be if the houses remained the property of the local authority—it is estimated there will be an annual deficit per house of from £40 to £60 over a period of sixty years—the Government could, it is suggested, readily agree to make such a concession.

The title to the subjects would remain in the name of the local authority until the price had been fully paid, or, alternatively, until such a substantial part had been paid as to warrant parties entering into an arrangement for a transfer of the property to the acquiring tenant, subject to a bond and disposition in security in favour of the local authority. The local authority would, of course, require either to grant an acknowledgment to the acquiring tenant that the house had been sold to him subject to payment of the instalments agreed upon and performance of other reasonable conditions, or an agreement might be entered into by both parties setting forth the arrangement. Very little expense would be involved in such a transaction, and it could readily be provided that if the acquiring tenant, for business or other reasons, was compelled to leave the district and to give up his house, he could transfer his rights under the arrangement to a third party by a simple form of assignation with the approval of the local authority, which approval would, of course, not be unreasonably withheld. The instalments paid by the acquiring tenant might be endorsed upon the acknowledgment or agreement, and equally the assignation might similarly be so endorsed. As regards the conditions which would apply to such an arrangement, the statutory conditions applicable to advances by local authorities under the Small Dwellings Acquisition Act, 1899, might, with such modifications as were considered necessary, be adopted. These are—

(a) Every sum for the time being due in respect of

- principal or of interest of the advance shall be punctually paid;
- (b) The proprietor of the house shall reside in the house;
  - (c) The house shall be kept insured against fire to the satisfaction of the local authority, and the receipts for the premiums produced when required by them;
  - (d) The house shall be kept in good sanitary condition and good repair;
  - (e) The house shall not be used for the sale of intoxicating liquors, or in such a manner as to be a nuisance to adjacent houses;
  - (f) The local authority shall have power to enter the house by any person, authorised by them in writing for the purpose, at all reasonable times for the purpose of ascertaining whether the statutory conditions are complied with.

The acknowledgment or agreement would also, of course, provide for the local authority entering into possession of the house if any of the conditions imposed on the tenant were not reasonably complied with. The provisions of the Small Dwellings Acquisition Act as regards the preparation of titles, &c., by the local authority might also be suitably applied to the scheme.

(b) Under the arrangement whereby the property would be transferred to the acquiring tenant subject to a bond being granted in favour of the local authority for part of the price the same considerations would apply as regards the fixing of the price. It would appear that there would be no difficulty in applying the provisions of the Small Dwellings Acquisition Acts to such an arrangement. Under these Acts, as amended by the Housing, Town Planning, &c. (Scotland), Act, 1919, the local authority is entitled to advance money to a resident within their area for the purpose of enabling him to acquire the ownership of his house, provided that the advance does not exceed 85 per cent. of the value of the house, and the total value of the house does not exceed £800. The provi-



sions of the Small Dwellings Acts were framed with the view of providing an inexpensive and simple method by which such advances might be secured and dealt with. The same statutory conditions before referred to would, subject to any suitable amendments, apply to a sale subject to a bond and disposition in security as to the instalment arrangement. The local authority would, of course, have power to enter into possession if the conditions were not observed by the acquiring tenant.

Having in view the powers now granted to local authorities in the matter, there does not appear to be any serious obstacle to tenants generally entering into arrangements with the local authority for the acquisition of their houses, and it would be readily possible to devise such simple methods of transfer, &c., as would obviate difficulties and tend to create confidence on the part of the tenants in entering into such arrangements.

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