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SECRET

C.P.9(23)

CABINET

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Interim Report of the Committee on Housing Policy.

Memorandum by the Financial Secretary of the Treasury.

In the absence of the Chancellor of the Exchequer

I desire to circulate the following observations on the Interim Report of the Committee on Housing Policy in which I was unable to concur.

1. Rent Restrictions Act. The main reason for a fresh policy of subsidy is that it may be necessary to continue the Rent Restrictions Act for one or possibly two years from 24th June next. The object we all have in view is private building of unsubsidised houses. The question arises whether we shall be in a better position to secure that at the end of the extended period than we are now.

Unless private industry is stimulated there will then be the same demand for a subsidised scheme as there is at present and a subsidy may have to be continued indefinitely.

2. Housing on an economic basis. A reduction in the cost of building can occur under three heads.

- (1) Interest on loans
- (2) Price of materials
- (3) Wages.

There is little chance of a decrease under (1) or (2). Interest will probably tend to rise and prices of materials will probably not fall. Indeed in view of the rings existing in the building trade it is at any rate possible that a subsidised scheme will enable dealers to force prices up. Therefore any reduction in cost must come from reduction of wages.

3. Wages in the building trade. Masters are at

this moment meeting the men to discuss a reduction which is due on 1st March. Building wages are too high.

Both skilled and unskilled they are substantially above the engineering trade and stand at a higher percentage over pre-war rates than in other comparable trades.

The employers wish to reduce them by 2d. an hour and they are of the opinion that a direct cash subsidy would strengthen the men's hands in resisting a reduction.

4. Need for a reduction of wages.

(a) There is wide unemployment and a reduction would give more work.

(b) There is great shortage of houses and reduction would enable private industry to build more.

(c) Wages in other trades have come down heavily.

(d) The high rate of building wages not only hampers the building of working-class houses but is a heavy tax on the whole community, especially on industry.

If wages are not reduced now it is difficult to see when as favourable an opportunity will recur.

Undoubtedly a declaration that the Government had decided against a subsidy would assist in securing a reduction. This might be accompanied by an

announcement that the Government proposed to give facilities whereby private builders and purchasers

of houses could obtain through Local Authorities loans at reasonable rates. The Government could also

announce that the £200,000 limit granted for slum clearance would be increased to, say, a maximum of

£500,000: the justification for this being the urgent necessity of clearance and the fact that it can never be economic and cannot be undertaken by Local Authorities unaided.

5. Assistance by means of rate reduction. If some assistance has to be given it should be limited to the smallest type of houses and to a maximum cost. The master builders while feeling no doubt that a direct subsidy would keep up wages do not feel the same objection to a rate reduction. A subsidy by means of rate reduction would encourage private building. The builder could build an article which he could sell at a price to repay him and, as he builds to sell at once, no subsidy running over a term of years would be of any use to him. Local Authorities will no doubt strongly object to the whole cost being thrown on the rates and ask for a State subsidy to the extent of half the remission. The objection to this is that it will induce the men to think that they have the bottomless purse of the State to draw upon and will prevent a fall in wages.

6. Justification for throwing cost on Local Authorities.

There are strong arguments for this. Under the Addison scheme the State pays £9,000,000 a year while the Local Authorities only pay £800,000 a year. The State burden is therefore most disproportionate. Local Authorities might also be assisted towards slum clearance as suggested above. If, however, the Government consider a subsidy to the Local Authorities unavoidable, and it must be admitted that it would be difficult to persuade them that it is not, it is suggested that this should take the form of repayment of some part of the rate remission. The master builders, though they would prefer no State subsidy at all, consider that a subsidy in this form would be less objectionable than a direct payment of so many £'s per house.

7. Rent and cost of building.

There seem to me to be two main factors in the present difficult position. Rents are too low and the cost of building too high. If Government action is necessary it must take the form either of subsidising rent or reducing cost or both. It is no doubt easy to subsidise rent. The danger is that thereby you will keep up wages (and possibly the price of materials) and will not get costs down. At some time or other State assistance will have to be withdrawn. To withdraw it at any time will be extraordinarily difficult. I venture to suggest that it is not more difficult now than it will be in the future.

8. Lastly, unsubsidised building is now being carried on. Private builders are building. No doubt they are building middle class, not working class, houses, but each house built creates a vacancy in the grade below. Many Local Authorities also are starting, or will start, unsubsidised building. If a subsidy be given now, building of this sort will be discouraged.

J.W.H.

10th January, 1923.