

‘The Rating Game: The Conservative Party and the Politics of Local Taxation in London, 1880-1900’

CONSERVATIVES AND LOCAL TAXATION

Writing in 1867, Lord Salisbury concluded, Cassandra-like, that the consequences of franchise reform would be to elevate the question of taxation onto ‘the field upon which the contending classes of this generation will do battle’.¹ The 1867 Reform Act had replaced the causal link between income-tax payment and the vote, so beloved of Gladstone, with a householder - or ratepaying - franchise. The payment of rates was therefore elevated into a constitutional signifier; an assertion to national as well as local political citizenship. Two years later, the passage of the Municipal Franchise and Assessed Rates Acts in 1869 quadrupled the local electorate and amplified such concerns.² Another reviewer, writing on the eve of further franchise reform, ominously warned that ‘all the political power will be on one side; nearly all the taxation will be on the other’.³ J. G. Hubbard, the veteran City MP, even called for rateable value rather than population to form the basis of redistribution, warning that ‘they were multiplying the representatives of a class who paid no taxation whatever’.⁴ Although fiscal questions were not directly at the forefront of political controversy until the Edwardian period, they formed a ubiquitous subplot which underlay assumptions about the role of the state and the workings of the economy.⁵

To understand the modalities of taxation questions in London it is first necessary to delineate in detail the contours of national taxation policies and debates. Local taxation

¹ Lord Salisbury, ‘The Conservative Surrender’, *Quarterly Review*, 123 (Oct. 1867), 363.

² See Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge, 2001), pp. 270-1.

³ Anon., ‘Taxation and Representation Under the New Reform Bill’, *Blackwood’s Magazine*, 135 (Jun. 1884), 797.

⁴ *Hansard*, 3rd ser., ccxcvi, c. 456 (23 Mar. 1885).

⁵ Mid-Victorian Liberal fiscal policy has been exhaustively discussed. See for instance H. C. G. Matthew, Disraeli, ‘Gladstone, and the Politics of the Mid-Victorian Budget’, *Historical Journal*, 22 (1979), 615-43, *idem*, *Gladstone 1809-1874*, pp. 103-38; and *idem*, *Gladstone, 1875-1898* (Oxford, 1995), pp. 162-73. See also Eugenio Biagini, *Liberty, Retrenchment and Reform: Popular Liberalism in the Age of Gladstone* (Cambridge, 1992), pp. 103-38; and *idem*, ‘Popular Liberals, Gladstonian Finance, and the Debate on Taxation, 1860-1974’, in Biagini and Reid (eds.), *Currents of Radicalism: Popular Radicalism, Organised Labour and Party Politics in Britain, 1850-1914* (Cambridge, 1991), pp. 134-62; Ian Packer, *Lloyd George, Liberalism and the land: The land issue and party politics in England, 1906-1914* (Woodbridge, 2001). Conservative fiscal policy in this period has however been broadly neglected with the notable

was a fundamental dynamic of late-Victorian politics, which by the 1880s had supplanted earlier debates about the impact of indirect taxation upon the working classes. According to Martin Daunton's comprehensive account, 'attitudes to the incidence of local taxation on different forms of income and property formed an ideological fault-line between parties'.⁶ Avner Offer has powerfully demonstrated the vortex of local taxation in the Edwardian period and the political crisis it engendered.⁷ As a proportion of GNP, central expenditure actually fell from 12 per cent in 1850 to 9 per cent by 1890. However, local demands rose from 14 per cent to 34 per cent of total taxation between 1820 and 1914, showing that the extension of 'state' power in the late nineteenth century was mainly localised, and the responsibility of municipal authorities rather than central government.⁸ One of the leading campaigners for relief of local taxation, the Conservative agriculturist Massey Lopes, bemoaned, with some justification, 'how careful were we as a nation in jealously guarding our imperial taxation, but how entirely indifferent and apathetic about our local taxation'.⁹ This growth in municipal revenue was largely accidental, attached to the creaking rating system with no genuine attempt at wholesale reform, allowing the *Times* to observe that 'local government is a chaos and local taxation a scandal'.¹⁰ As a result of this systemic weakness, the question of imperial and local taxation necessitated a political response that tested the adaptive ability of political parties to appeal to diverse and competing constituencies.

Underlying traditional Gladstonian finance was the belief that the economy was a self-correcting, autopoietic system which required minimal interference. Following Peel, a scrupulous balance was required between direct and indirect taxation, or as Robert Lowe put it, 'as a general rule reductions in one class of taxation should be accompanied by reductions in another'.¹¹ A transparent demarcation between local and central finances

exception of P. R. Ghosh, 'Disraelian Conservatism: a Financial Approach', *English Historical Review*, 99 (1984), 268-96.

⁶ Daunton, *Trusting Leviathan*, p. 290.

⁷ See Avner Offer, *Property and Politics, 1870-1914: Landownership, Law, Ideology and Urban Development in England* (Cambridge, 1981), passim.

⁸ Figures taken from James Cronin, *The Politics of State Expansion: War, State, and Society in Twentieth-Century Britain* (London, 1991), p. 28; and Patrick O'Brien, 'The political economy of British taxation, 1660-1815', *Economic History Review*, 2nd ser., 41 (1988), 6. See also J. F. Wilson, 'The finance of municipal capital expenditure in England and Wales, 1870-1914', *Financial History Review*, 4 (1997), 31-50.

⁹ *Hansard*, 3rd ser., ccx, c. 1338 (16 Apr. 1873).

¹⁰ *The Times*, 5 June 1884.

¹¹ *Hansard*, 3rd ser., ccxv, c.1042 (28 Apr. 1873).

was seen as desirable, to encourage retrenchment and instil fiscal responsibility, a view articulated in radical discourse from the Chartists onwards.¹² Control over local taxation was an essential element to the rational, participative self-governing democracy expounded by John Stuart Mill.¹³ The orthodox view of local taxation was, according to Edward Hamilton's evidence to the Royal Commission on Local Taxation, that payment should be 'in proportion to the benefit receive[d] therefrom', as opposed to the principle of ability to pay which he ascribed to imperial taxation.¹⁴ Another Treasury official, George Murray, sought to draw an utilitarian distinction between 'onerous' rates (those required by the state) and 'beneficial' ones (those to the benefit of local taxpayers), arguing that only the latter were in fact rising.¹⁵ In so far as reform of local taxation was deemed necessary, a subject with which Gladstone avowed he was 'rather uncomfortable',¹⁶ it should be to the favour of the urban rather than the rural ratepayer. The preferred route of relief was a formal division of rates between the owner and occupier, a principle embodied in abortive bills introduced by George Goschen in April 1871, and which officially remained part of the Liberal canon until the 1890s.¹⁷ For Liberals, any reform of local taxation could only be ventured after a democratization of local government, so preserving the requisite link between taxation and representation.

Conservative departures from Gladstonian orthodoxy found expression in the detailed mechanics of taxation policy. Some Conservatives disagreed with the Gladstonian view of the immorality of indirect taxation, with its cherished populist vision of the 'free breakfast table', and argued instead that such taxes were the only means to instil fiscal discipline and responsibility amongst the masses. The income tax

¹² See Biagini, *Liberty, Retrenchment, and Reform*, pp. 181-91.

¹³ See esp. Eugenio Biagini, 'Liberalism and Direct Democracy: John Stuart Mill and the Model of Ancient Athens', in Biagini (ed.), *Citizenship and Community: Liberals, Radicals and Collective Identities in the British Isles, 1865-1931* (Cambridge, 1996), pp. 21-44.

¹⁴ *PP*, 1899, XXXVI (*Minutes of Evidence to the Second Report of the Royal Commission on Local Taxation*, Evidence of Edward Hamilton, 'Memoranda Relating to Classification of Imperial and Local Taxation', p.53).

¹⁵ G. H. Murray, 'Notes on the Growth and Incidence of Local Taxation', *Economic Journal*, 3 (1893), 698-704. Murray was to serve as permanent secretary to the Treasury between 1903 and 1911. See Daunton, *Trusting Leviathan*, pp. 294-5 for further discussion of the implications of this distinction.

¹⁶ Quoted in H. C. G. Matthew, *Gladstone, 1809-1874* (Oxford, 1986), p. 217.

¹⁷ For Goschen's proposals see Biagini, 'Gladstonian finance', pp. 154-5. For the owner-occupier principle see the motion by James Thorold Rogers in *PD*, 3rd ser., ccciii, c. 1646 (23 Mar. 1886); and James Thorold Rogers, *Local Taxation, Especially in English Cities and Towns* (London, 1886). Also see London Metropolitan Archives, LCC/MIN/8178, Minutes of the LCC Subcommittee on the Incidence of Taxation (which sat between 1889 and 1891).

may have been deeply controversial (although it contributed only £5.7m of a total Exchequer revenue of £77m in 1874)¹⁸ because of its allegedly inquisitorial nature, but for many on the right, direct taxation had the attraction of being raised on personalty as well as on realty. The chief Conservative grievance was the exemption from local taxation of personal property, or, as one election pamphlet put it, ‘only £1 in every £5 of the income of this rich country pays rates’.¹⁹ After 1868, Massey Lopes introduced annual parliamentary motions that called for personal property to be liable to rates, and in 1872 his proposal was passed with a majority of 100.²⁰ It was maintained that real property was not simply the province of the rich, but permeated well down the social scale to ‘the class of poor persons with only a small income derived from real capital’.²¹ Liberals on the other hand admitted the anomaly of local taxation, but claimed that this was corrected by imperial taxation – namely the income tax, and probate duties – which restored the balance between the taxation of personalty and realty.²²

Yet the political problem for the Conservative party lay in constructing a meaningful alternative policy without incurring the jibes of landed self-interest. After all, complaints about local taxation had traditionally been vociferously expressed by the agricultural sector, with Disraeli raising the banner of rate relief in the aftermath of 1846 to try and wean the party from protectionism.²³ The Local Taxation Committee was formed in 1869 to agitate for a reduction in the relative contribution of taxation on land, which was seen as overburdened. The Committee later accused the final Gladstonian ministry of ‘tenderness towards the urban ratepayer’.²⁴ Such a viewpoint was vigorously contested. For instance, Henry Fawcett, the Liberal MP for Hackney, asserted that ‘land, in comparison with other kinds of real property, is contributing a continually diminishing

¹⁸ Figures taken from B. Sabine, *A History of Income Tax* (London, 1966), p. 110.

¹⁹ Bodleian Library, Oxford, ‘Local Rates, Electors, and Ratepayers’, 1885/48, National Union of Conservative Associations Pamphlets 1867-1914 (X Films 63/1). In the 1870s, Lopes put the figure at £1 in £7, a figure also cited by Offer, p. 163

²⁰ *Hansard*, 3rd ser., ccx, c.1331-1404 (16 Apr. 1872). For Lopes and his demands, see Offer, *Property and Politics*, pp. 173-81.

²¹ [W.H. Smith], *Hansard*, 3rd ser., cccl, c. 1500 (24 Feb. 1891). The (considerable) extent of lower middle-class tenure of realty is shown in Offer, *Property and Politics*, pp. 105-58.

²² For example, T. H. Farrer, ‘Imperial and Local Taxation: What Might Have Been or Might Be Done’, *Contemporary Review*, 58 (1890), 913-36. Probate duty was levied at 3% on personalty, but succession duty was only 1.5% (1% before Goschen’s 1888 budget).

²³ See Ghosh, ‘Disraelian Conservatism’, 269-70.

²⁴ Local Taxation Committee, *Special Report on Local Taxation* (London, 1893), p. 5. See also Earl of Winchelsea and Nottingham, ‘The New Death Duties in England’, *North American Review*, 160 (Jan. 1895), 95-108.

amount to local taxation'.²⁵ However, from the early 1870s, leading Conservatives for urban constituencies also began to add their voices to the clamour for rate relief. During the 1873 budgetary debates, W.H. Smith, the MP for Westminster, proposed a motion which called for the readjustment of central and local taxation rather than the proposed reductions of the sugar duties, arguing that 'he had not heard of any person who believed that sugar would be any cheaper to the poor in consequence'.²⁶ Smith was supported by George Hamilton who allied himself with 'poor middle-class householders' and claimed that urban rates were now more onerous than rural ones.²⁷ Significantly, in his first budget of 1874, Northcote denied that there should be an exact equilibrium between direct and indirect taxation, and announced that his priority would be the relief of local burdens.²⁸ Henceforth, even if the policy meant different things to agriculturists, the rhetoric of relief of local grievances could also be plausibly utilized in urban areas.

A distinctively Conservative means of achieving rate relief was resort to the system of grants-in-aid, or Exchequer subventions, for local purposes, which raised fears about the autonomy of local authorities from the central state and the weakening of prudence among local bodies.²⁹ The rationale was that local spending was dictated by the need to provide statutory functions prescribed by parliament, thus justifying central subsidies. In this vein, Smith opined that 'expenditure caused by the direction of parliament ... was not, properly speaking, expenditure by local authority'.³⁰ Lopes had argued that over 80 per cent of local taxation was for national purposes, and that the particular *bête noire* of agrarians was the poor law. However, it was the Education Act of 1870, placed on the rates, which increased the agitation for rate remission in urban areas. The Education Act did much to undermine the Gladstonian opposition to 'doles', in practice if not in theory,

²⁵ Henry Fawcett, 'The incidence of local taxation', *Fortnightly Review*, 13 (May, 1873), 551.

²⁶ *Hansard*, 3rd ser., ccxv, c. 1035 (28 Apr. 1873).

²⁷ *ibid.*, c. 1343 (1 May 1873).

²⁸ *ibid.*, ccxviii, c. 662 (16 Apr. 1874). In his 1874 budget Northcote relieved local burdens to the tune of £1,250,000.

²⁹ For complaints about the incursion of local autonomy, and fears about exposing the national exchequer to local demands, see T.H. Farrer, 'The Local and Imperial Finance of the Last Four Years', *Contemporary Review*, 58 (1890), 759. Some Conservatives shared these concerns; i.e. *Standard*, 27 Mar. 1888. The best discussion of this topic is G.C. Baugh, 'Government Grants in Aid of the Rates in England and Wales, 1889-1990', *Historical Research*, 65 (1992), 215-37. Support for state subsidies implied a greater deal of central control, but it is surely hyperbolic to argue, as Avner Offer does, that 'it gave an impetus to the emergence of a centralised welfare state': Offer, *Property and Politics*, p. 404. Indeed, between 1908 and 1914, successive Liberal administrations began to shift responsibility for welfare provision away from local and back to central taxation.

³⁰ *Hansard*, 3rd ser., ccxv, c. 1039 (28 Apr. 1873).

by increasing the Treasury grant to denominational schools and removing them from the rates. The grants-in-aid policy was extended by Northcote during the 1870s so that, by 1879, annual Exchequer subventions had increased from £2,950,000 to £4,960,000, mainly through a 4s per head weekly grant for pauper lunatics and a greater contribution towards police and prison costs.³¹ The principle was modified by George Goschen who, in his budgets between 1887 and 1892, replaced the piecemeal policy of grants-in-aid with fixed assigned revenues. In 1888 Goschen created the Local Taxation Account, transferring the excise duties and half of the probate duties from national to local authorities, thereby fulfilling the pledge to make personalty liable for local purposes.³² Goschen's reforms raised the total of all kinds of Exchequer subventions to £11,800,000 by 1892, but failed to resolve definitively the local taxation conundrum, with Liberals arguing that realty was now too favourably treated. William Harcourt's 1894 Budget replaced Goschen's system with a general estate-duty grant, once again reducing the contribution of personalty.

The self-referential difficulty for the framers of Conservative local taxation policy was in balancing these demands, sometimes complementary but potentially competing, of urban and rural ratepayers. In the Conservative rating worldview, there was neither a difference of opinion between the owner and the occupier, nor a dichotomy between rural and urban interests, so that the language of rate relief for all forms of real property ought to transcend the rural-urban divide. But for many agriculturists the following problem remained: whilst rating on houses was related, albeit unequally, to ability to pay, the rating of a farmer's land could be 'in an inverse ratio to his income'.³³ Goschen's proposed wheel and van tax of 1888 – the so-called 'veal and ham tax' – had for instance been welcomed by many urban MPs, but was withdrawn after agrarian opposition. In 1896 a Conservative Government introduced the Agricultural Relief Act,

³¹ The figures relate to central grants to local authorities for *all purposes*, including education, and are those given by W. H. Smith in *Hansard*, 3rd ser., ccxlv, c. 1012-8 (24 Apr. 1879). Offer, *Property and Politics*, p. 181, gives respective figures of £1.15m and £2.24m, which seems to refer to relief *specifically* in lieu of rates. Most contemporary literature seems to have referred to the total sum.

³² In 1890 a small charge on spirits and beer was added to the Local Taxation Account. For a detailed discussion, see Daunton, *Trusting Leviathan*, pp. 233-7, 288-93. Baugh, 'Grants in Aid', 235-6, calculates that in 1889/90, government grants amounted to 11.4% of local authority income, compared to 48.3% from the rates.

³³ [Sclater-Booth] *Hansard*, 3rd ser., cclxxviii, c. 502 (17 Apr. 1886). For the concerns of farmers and internal discussions about Unionist land policy, see Paul Readman, 'Conservatives and the Politics of Land: Lord Winchilsea's National Agricultural Union, 1893-1901', *English Historical Review*, 121 (2006), 25-69. For the general issue of urban-rural relations see Green, *Crisis of Conservatism*, esp. pp. 79-119.

which derated agricultural land by one half. Although party literature claimed that ‘it affects all classes interested in the land’,³⁴ the Liberals could plausibly attack the bill as a landowners’ recompense for Harcourt’s increased death duties of 1894, arguing that ‘the Conservative Party was nothing if not loyal to all its friends’.³⁵ Not all urban Tories shared the equanimity of Frederick Banbury, the choleric MP for Peckham, who claimed that the bill would ease migration from rural areas to London, especially as the Liberals claimed that the direct cost to London would be £400,000 a year.³⁶ As John Williams Benn argued: ‘London loses yearly for the benefit of rural landlords’.³⁷

It is possible to exaggerate the extent to which the party needed to balance rural interests *against* urban ones, or even the extent to which the two sectors can properly be defined as two discrete interests. The party sought to construct a flexible, if contested, ratepaying rhetoric which synchronically appealed to the landowner, the small urban landlord, and the struggling tenant. Yet the 1896 Act suggests that this polyglot discourse of ratepaying, and accommodation of both urban and agrarian interests, could be elusive, even unattainable. The success of Conservative local taxation policy from the 1870s onwards lay in its flexible application to all ratepayers, but atavistic reactions, however understandable, to agricultural unrest did threaten to undermine the plausibility of that appeal.

THE SCLEROSIS OF LOCAL TAXATION IN LONDON

The situation in London illustrated, albeit in an extreme way, the fiscal crisis of the late-Victorian state. As early as 1866, a witness had told the Select Committee on Metropolitan Local Government that the levels of taxation in the East End had ‘reached as much as those districts can bear’.³⁸ It is hardly surprising, therefore, that the Liberal MP for Hoxton, James Stuart, thought that taxation was ‘one of the principal questions

³⁴ ‘The Agricultural Rating Bill’, 1896/10, NUCA Pamphlets 1867-1914, CPA (X Films 63/1).

³⁵ [Joseph Leese] *Hansard*, 4th ser., xxxix, c. 42 (28 Apr. 1896). See also Liberal Publication Department, ‘Robbing Peter to Pay Paul’, 1896/1725; ‘The Rich Man’s Party: A Moral from the Budget of 1896’, 1896/1734; and ‘London’s Reward’, 1897/1754.

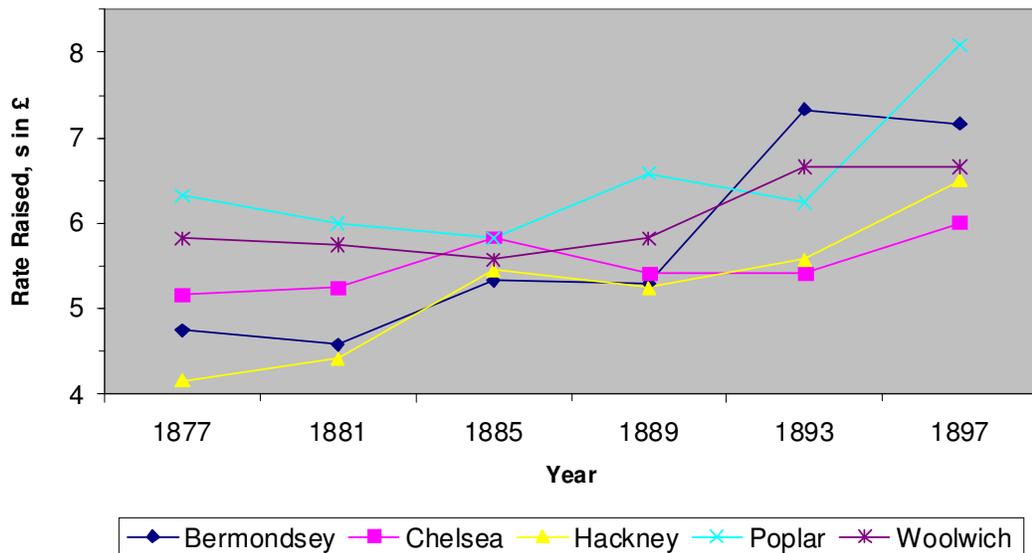
³⁶ Claim made by T. Lough, *Hansard*, 4th ser., xli, c. 1710 (23 June 1896). Offer, *Property and Politics*, p. 209, speaks of the ‘urban Unionist revolt’. However, only Whiteley, MP for Stockport, publicly spoke against the bill, and MPs from urban constituencies, for what it shows, were prominent in their support. There were clearly reservations, but few in the Tory party would deny the need for relief of landed, as a *distinct* issue from urban, taxation.

³⁷ J. W. Benn, ‘Exploited London’, *New Liberal Review*, 2 (Jan. 1902), 792.

³⁸ *PP*, 1867, XII (*Minutes of Evidence to the Third Report of the Select Committee on Metropolitan Local Government*, evidence of Alderman Waterlow, q. 1678).

before London at the time of the [1892] general election'.³⁹ According to Benjamin Costelloe, the chairman of the Local Government and Taxation Committee of the newly-formed London County Council, the fiscal question was 'by far the most vital of the London questions of today'.⁴⁰ In a detailed memorandum to Harcourt, Costelloe argued that London 'does constitute a special case, both because of the exceptional conditions affecting London's rents [and] the exceptional magnitude of the coming financial demand'.⁴¹ The total rate burden in London rose from £2,960,000 at the time of the 1867 Reform Act to over £11,000,000 in 1900, largely due to the growth in first-tier demands which grew from 22 per cent to over 70 cent of this total.⁴² Expressed as an average parish rate in the pound, the figure rose from 3s 9d in 1862 to 6s 2d in 1897, although these figures conceals the vast discrepancies of incidence. Table 1 demonstrates that the increase in rates occurred across London in the last quarter of the nineteenth century, albeit unevenly and from an unequal base.

Table 1: General and Poor Rates Raised by Parish, 1877-1897



³⁹ *Hansard*, 3rd ser., ix, c. 339 (24 Feb. 1893).

⁴⁰ B. F. C. Costelloe, *The incidence of taxation* (London, 1893), 28.

⁴¹ Bodleian Library, Oxford, MS Harcourt dep. 187, Costelloe to Harcourt, 'Memoranda as to the finance of the London County Council', 24 Oct. 1894, ff. 85-93.

⁴² Figures from Davis, *Reforming London*, pp. 40-1, Appendix 3. These figures exclude Exchequer contributions.

The metropolitan rating system remained unhelpfully regressive, falling most severely upon those with lower incomes. W. H. Smith estimated that in his Westminster constituency rates amounted to 1.5 per cent of an average income, rising to 6 per cent for an artisan earning 25s a week,⁴³ representing a significant addition to the already sizeable proportion of income that went on rent.⁴⁴ But the heart of the rating problem in London was the absence of equalization so that, despite unequal access to resources, local authorities were expected to perform the same statutory duties. Pressure was strongest in overcrowded working-class districts such as Bermondsey. As Table 2 shows, the surge in rates in Bermondsey occurred at the very time when its rateable value began to stagnate. It must also be remembered that lower rateable values per head in working-class areas magnified the impact of rate increases. Conversely, pressure was felt least in those prospering areas such as Chelsea, where a rising rateable value mitigated rate increases, and Islington, where both rates and rateable values grew with a gentle consistency. Furthermore, as the chairman of the Metropolitan Board of Works had complained in 1866, sanitary and architectural improvements to the imperial capital were paid for by the London ratepayer without the benefit of the state assistance afforded in other European countries.⁴⁵ The clearest expression of concern over rising rate levels was the dominance of vestries by local ratepaying associations, concerned above all with economy and retrenchment.⁴⁶ The metropolitan local taxation crisis was therefore symbiotic with the crisis of London local government and the absence of a popularly elected single municipality.⁴⁷

⁴³ *Hansard.*, 3rd ser., ccxv, c. 1038-40 (28 Apr. 1873).

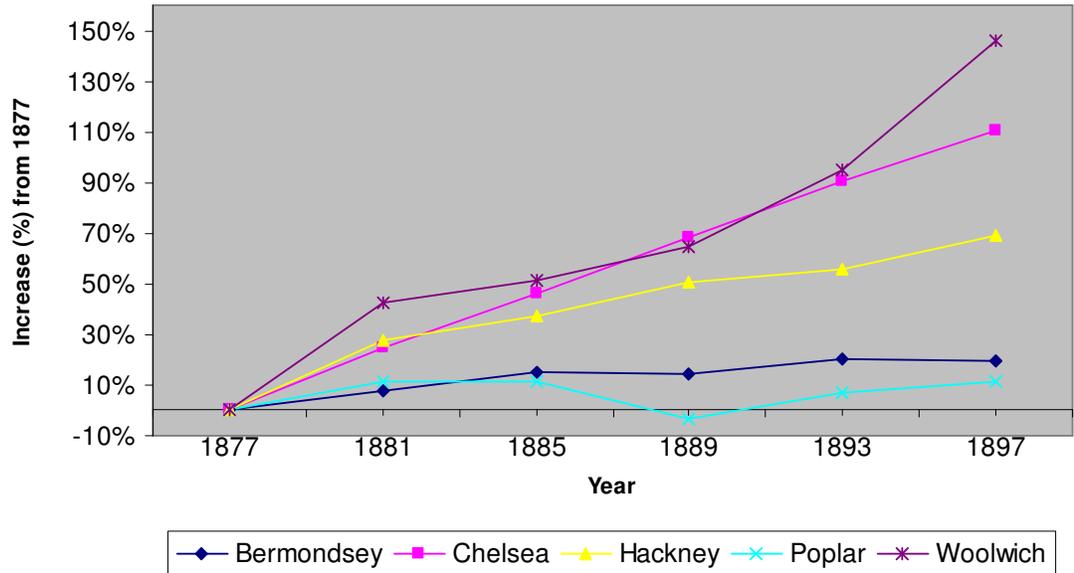
⁴⁴ Observers disagreed as to the precise proportion of income expended by Londoners on rent. Edwin Hughes thought that a quarter of the average artisan's income went on rent; see *PP* 1887, XXIII (Minutes of Evidence to the Select Committee on Town Holdings, q. 2542). Another Conservative MP [Baumann] gave the figure as one fifth: *Hansard*, 3rd ser., cccxxxvi, c. 729 (22 May 1889). Gareth Stedman Jones, in *Outcast London*, pp. 215-7, estimates that typically between a quarter and a third of income went on rent.

⁴⁵ *PP*, 1866, XIII (*Minutes of Evidence to the First Report of the Select Committee on Metropolitan Local Government*, evidence of Sir John Thwaites, qs. 602-26).

⁴⁶ For ratepayers' associations see Offer, *Property and Politics*, pp. 297-313; Davis, *Reforming London*, pp. 25-31; E. P. Hennock, *Fit and Proper Persons: Ideal and Reality in Nineteenth-Century Urban Government* (London, 1973).

⁴⁷ The fiscal crisis in London local government continued well into the twentieth century. See Zoe Doye, 'Local Government, Rates and Rents: The Policies of the London County Council and Three Borough Councils', in Lawrence Black et al. (eds), *Consensus or Coercion? The State, the People and Social Cohesion in Post-War Britain* (Cheltenham, 2001), pp. 107-24.

Table 2: Percentage Increase in Rateable Value by Parish, 1877-1897



The rate burden was further complicated by the labyrinthine assessment system used in the capital. Under Goschen's 1869 Valuation of Property (Metropolis) Act, passed with cross-party agreement, a property was assessed every five years on its gross rental value, with a deduction (for repairs), usually of 15 per cent, to arrive at the 'net' – or rateable – value. The bill also restored the practice of compounding, which Disraeli had temporarily abolished in 1867 in order to establish a householder suffrage, for houses rated under £20 in the capital.⁴⁸ In return for directly paying the rates of their tenants, landlords received an allowance of between 15 and 30 per cent, thereby further raising the overall rate burden in working-class districts whilst leaving wealthier parishes unaffected. Many on the right, however, believed that in practice this lowered the true burden of the rates in poorer parishes; one justification for opposing any moves towards rate equalization. Compounding was also attacked for encouraging an irresponsible profligacy among the working classes, by shielding them from the consequences of their putative demands for

⁴⁸ The LCC's Statistical Officer Laurence Gomme demonstrated that the proportion of properties rated at under £20 ranged from 52% in Plumstead and 45% in Bromley down to a mere 3% in Marylebone and 1% in St George, Hanover Square. Figures from *PP*, 1898, XLII, (*Minutes of Evidence to the Second Report of the RCLT*, Appendix 27, 'Memorandum of Gomme', pp. 238 and 282-3). These figures exclude the prevalence of 'compounding' in houses rated over the £20 limit but where rooms were let out weekly: see Offer, *Property and Politics*, pp. 286-8.

increased expenditure, predicting the attack on compounding so central to the Conservative municipal backlash of the 1900s.

Even after Goschen's 1869 Act had supposedly removed assessment anomalies, the twenty-nine local assessment committees interpreted the assessment rules with great flexibility, a practice in which they were aided by the absence of any unitary body to enforce uniformity. The tendency towards underassessment in some of the wealthier areas only increased the pressure in poorer districts to maximize returns. After 1889, the LCC attempted to challenge the worst offenders – including an unsuccessful appeal alleging that St George, Hanover Square was under-assessed by £200,000, or over 10 per cent of its rateable value⁴⁹ – but a motion allowing the LCC to act as a central valuation committee was defeated at an assessment conference in May 1890. The problematic question of how to convert weekly rents into a *gross* rateable value illustrates how erratic London rating practices could be. The favoured LCC scale, followed by eleven assessment committees, recommended a deduction of one third from the total annual rent to arrive at gross value, but Holborn, the City, and Marylebone each allowed deductions of up to 40 per cent, whilst seven committees followed the 'Greenwich' scale which only allowed a deduction of a quarter.⁵⁰ Such discrepancies were then further magnified by the diverse deductions allowed by different committees to arrive at the *net* – rather than gross – rateable value. Rooms let out at the same weekly rent in different areas of London were therefore liable to be divergently valued, entrenching the very rating inequalities which exacerbated the problem.

One bitter source of complaint within the capital was the alleged inequity in the distribution of Goschen's financial arrangements of 1888, which appeared to penalize London and other conurbations. This Bill initially proposed to distribute Exchequer contributions on the basis of indoor pauperism but in its final form, modified after agrarian pressure, subventions were disbursed on the same basis as pre-existing Exchequer grants. The LCC's Statistical Officer, Laurence Gomme, estimated that in 1895 – excluding contributions towards education – London received about one-sixth of all Exchequer contributions whereas before 1888 it had received just over one-fifth.

⁴⁹ LMA, LCC/MIN/8182, Local Government and Taxation Committee [LGT], Presented Papers, 19 Dec. 1890. An Assessment subcommittee also asked how 'the growing suburban parish of Camberwell had decreased £2,716 in value during the past year', 12 Dec. 1890, LCC/MIN/8180.

Gomme estimated the resulting annual shortfall at over £500,000.⁵¹ The LCC frequently passed motions calling for a review of Exchequer funding.⁵² As Gomme argued, ‘London is, relatively to its rateable value and its rates, worse off than any other county borough or county in the kingdom in respect of its receipts from the Exchequer Contribution Account’.⁵³ Likewise, Stuart impressed upon Harcourt that ‘it is clear that the rest of the country has profited largely at the expense of London’.⁵⁴ For many Progressives, the failure of Salisbury’s governments to rectify the perceived injustice was further evidence of the pathological hostility of the right to the very existence of the Council. Farrer attacked the Tory members for London, ‘watchdogs against what they are pleased to call the extravagance of the county council’, asking ‘where were they when they allowed other dogs to snap up so large and inequitable a share of the imperial crumbs’!⁵⁵ Once again, the relationship with the centre showed the ambiguity and tensions inherent in London’s dual status as metropolis and as imperial capital.

Sporadically, Conservative thinkers and economists sought to justify the high levels of London rates, especially through the pages of the *Quarterly Review*. One reviewer rationalized that ‘rating is a personal charge, and not at all a charge on property ... It is an annual demand for one year’s use’, adding that ‘Each man’s rental represents as fairly as may be his interest in the locality’.⁵⁶ Another maintained that the working man was

⁵⁰ See the table on weekly rents, LCC Local Government and Taxation Committee, Presented Papers, 24 Oct. 1890, LCC/MIN/8182. Cf. *ibid.*, ‘Draft Suggestions for Promoting Uniformity on the Assessment of Metropolitan Properties’, 21 May 1890.

⁵¹ Gomme’s figures are in *London Statistics*, 5 (1894-5), 226-31. Some caution must be exercised as Gomme was making a political point. Gomme’s evidence to the RCLT estimates that for every £100 spent by the LCC in 1893-4, 13.07% came from the Treasury compared to an average of 15.49% in county boroughs and 21.07% in counties; see *PP*, 1898, XLI (*Minutes of Evidence to the First Report of the RCLT*, evidence of Gomme, qs. 8665-8727). The figures after 1896 appear even more inequitable, as London received little more than £5,000 relief under the terms of the 1896 Agriculture Rating Act. It was also argued that using the 1887-8 financial year as the basis of allocations unduly penalised the capital, for as a result London’s share of Exchequer subventions was 21.95% compared to 23.94% if the 1885-6 financial year had been chosen. See M. E. Lange, *Local Taxation in London* (London, 1906), p. 5.

⁵² For example LCC Minutes of Proceedings, 26 Mar. 1895; 7 May 1895; 25 June 1895.

⁵³ Bod. Lib., Oxford, MS Harcourt dep. 126, ‘Report of the LCC Statistical Officer on the relationship of London to other counties and to the Imperial Exchequer’, [n.d.], ff. 100-10.

⁵⁴ Bod. Lib., MS Harcourt dep. 122, ‘London and the probate duties’, 21 Apr. 1894, ff. 157-61. Liberal electoral propaganda claimed that ‘In no place has the financial legislation of the Tory government effected greater injustice than in London’: Liberal Publication Department, *Five Years of Tory Government, 1895-1900* (London, 1900), p. 115.

⁵⁵ Farrer, ‘Local and Imperial Finance’, 779-80.

⁵⁶ Anon., ‘Report from the Select Committee on Town Holdings’, *Quarterly Review*, 176 (Jan. 1893) 234, 237. Cf. Anon., ‘Betterment and Local Taxation’, *Quarterly Review*, 178 (Jan. 1894), 187: ‘Rates are ... a personal payment, not a tax on things; they have reference to the individual’. In several continental countries, such as Germany however, local authorities had access to a far wider range of possible taxes.

‘the lightest taxed person in Europe’, being almost entirely exempt from income tax, and therefore warned against any further remission of rates.⁵⁷ A third held that, instead of ‘whimpering’ about rate increases, Londoners should ‘be intelligently thankful for the economy and the physical results of rates’.⁵⁸ Some argued that rate rises were counterbalanced by the even larger proportionate increase in property values, and that if services like free education were to be provided by the community, ‘the occupiers individually must be prepared to contribute to the cost’.⁵⁹ The occasional voice also complained that the outcry over rates indicated the absence of working-class restraint, ‘as if rates were penalties, and not mere payments for advantages obtained’.⁶⁰

Nonetheless, both political parties could broadly agree that the overall London rate burden was both rising and oppressive. The question of incidence – and thereby the political solution – was, however, more vexatious. After all, the various interests in a typical London property could include landowners, developers, lessees, sub-lessees and occupiers. Henry Fawcett held it to be incontrovertible that ‘local rates fall with greatest severity upon the occupiers of houses’.⁶¹ The celebrated economist and Progressive alderman, Thomas Farrer, believed that ‘real incidence is one of the most perplexing questions in political economy’, but nonetheless maintained that the burden fell upon the occupier, a view which formed the basis of LCC rating policy.⁶² According to Costelloe, even when the landlord directly paid the rates, he could simply transfer the charge to the rent, ‘the pull of the market being as a rule against the tenant’, so that ‘the landlords ... have the London tenants completely at their mercy’.⁶³ Whilst retaining the official party view that the onus fell on the owner, many Conservatives representing urban seats, including Smith and Balfour, were prepared to admit that, in London at least, much of

⁵⁷ Anon., ‘Taxation and Representation’, 796-7.

⁵⁸ Anon., ‘Betterment’, 208.

⁵⁹ George Beken, *The Taxation of Ground-Rents and the Division of Rates Between Occupiers and Owners* (London, 1893), p. 7. See also Sassoon, *Ground Values*, 308-10.

⁶⁰ Anon., ‘Londoners at Home’, *Quarterly Review*, 182 (Jul. 1895), 79. Cf. Anon., ‘Town Holdings’, 237: ‘working people and their families are habitually destructive ... which results[s], of course, in higher rents, and consequently higher rates’.

⁶¹ Fawcett, ‘Incidence’, 551.

⁶² Farrer, ‘What Might Have Been Done’, 927. For the complicated debate over incidence see Offer, *Property and Politics*, pp. 161-6.

⁶³ *PP*, 1899, XXXVI, (*Minutes of Evidence to the Third Report of the RCLT*, Appendix 11, ‘Memorandum of Costelloe’, p. 317); Costelloe, *Incidence*, p. 12. This interpretation was widely accepted, even for ‘compounded’ houses. One expert maintained that ‘though the owner pays the rates directly, it is the tenant who, in the end, finds the money’: Powell Williams, ‘Ground-Rents’, 302.

the burden in practice fell upon the occupier.⁶⁴ On the other hand, the libertarian wing of the party, under the aegis of the Liberty and Property Defence League, maintained that rates formed part of the rental bargaining process, and that even if the occupier paid for the duration of the lease, the landowner was accordingly obliged to lower the rent.⁶⁵ According to one reviewer, ‘a house upon which the rates payable by the occupier are high inevitably fetches, *ceteris paribus*, less rent than one on which the rates are low’.⁶⁶ Another commented ‘there is no ground whatever for alleging the existence of any considerable injustice as between owners and occupiers’.⁶⁷ Conservatives were clearly unable to agree on a rating doctrine which would unambiguously resolve the question of urban incidence.

THE LCC: REDEFINING THE LONDON TAXATION PROBLEM

The creation of the LCC in 1888 reconfigured the terms of the local taxation debate. The county rate officially from 12 ½d in 1889/90 to 14d in the pound in 1894/5, but the adjustments made in 1888 to Exchequer contributions to local finances, plus the quinquennial valuation of 1891, render a precise quantification of the impact on the rates of the new Council impossible.⁶⁸ The opacity of the rating system furthermore created space for polemical jousting. The Moderates claimed that, after adjustments, the first Council alone had been responsible for a rate rise of 2½d,⁶⁹ whereas Costelloe maintained in 1894 that the net rise under the LCC had so far been under a mere penny.⁷⁰

Comparisons of LCC spending are further complicated by the loss of the London coal and wine duties from 1889 onwards. The coal dues – dating from the late sixteenth-century – were charged at a rate of 13d per ton, of which 9d went to the Metropolitan Board of Works and a further 4d to the City, and were estimated to be worth up to £500,000 per year. Critics of the dues argued that they discouraged manufacturing in the

⁶⁴ For Balfour see *Hansard*, 3rd ser., cclxxviii, c.462 (17 Apr. 1883). See also Robert Webster, ‘The Metropolitan Coal and Wine Duties’, *National Review*, 9 (Jul. 1887), 130-1.

⁶⁵ i.e. Beken, *Taxation of Ground-Rents*; Earl of Wemyss, *Modern Municipalism* (London, 1893); St. Loë Strachey, ‘The Injustice of Rural Rating’, *National Review*, 27 (Jul. 1896), 710-8.

⁶⁶ Edward Sassoon, ‘The Taxation of Ground Values’, *Nineteenth Century*, 44 (Aug. 1898), 309-10.

⁶⁷ Edwin Cannan, ‘Principles of Local Taxation’, *National Review*, 28 (Nov. 1896), 371.

⁶⁸ The most recent authority has estimated that underlying Council spending increased by 22.7% between 1889 and 1895; see Davis, *Reforming London*, pp. 154-5.

⁶⁹ See for instance T.G. Fardell, ‘The LCC, i: the Impeachment’, *New Review*, 6 (Mar. 1892), 257-64.

⁷⁰ B.F.C. Costelloe, ‘The Bitter Cry of the London Ratepayer’, *Contemporary Review*, 65 (Feb. 1894), 293-304.

capital, depressed the consumption of coal, and financed unelected and unaccountable local authorities.⁷¹ In late 1886 Randolph Churchill refused Treasury backing to a renewal of the dues. Within weeks of the congregation of the new county council, the Progressive majority passed a motion approving their abolition. Many Conservatives regarded the coal duties as a practical and harmless source of municipal funding, and argued that they had in the past paid for schemes such as the Thames Embankment and Epping Forest.⁷² The issue became a cause célèbre amongst metropolitan backbenchers, and 23 London Tories voted in favour of a motion by the Peckham MP, Arthur Baumann, for their retention in May 1889, with only nine voting against.⁷³ For Robert Webster, MP for St Pancras, the metropolis had ‘in many districts nearly reached its limit in the matter of direct taxation’, whereas this indirect tax had no discernible impact upon coal prices and ‘falls more directly on a man’s means than any other tax that can be levied’.⁷⁴ Cowley Lambert, the MP for Islington East, protested to Salisbury that retention of the dues would be ‘decidedly preferable to a large increase in the rates’.⁷⁵ Moreover, support for the coal dues could also be interpreted as an adherence to an alternative political economy which challenged the nostrums of free trade. Baumann ascribed their repeal to an unnecessary genuflection towards the ‘obsolescent principles of the Cobden Club’, and claimed that the practical effect would be an additional 4d upon the rates.⁷⁶ One subtext underlying these various protests was that the Conservative parliamentary cohort was more directly representative of public feeling than the County Council, for as Baumann argued ‘we largely represent the ratepayers and it is the cause of

⁷¹ See J. B. Firth, *The Coal and Wine Dues* (London, 1885). The economic case for abolition is outlined in Theo. Wood Bunning, *An account of the duties on coal, and the London coal and wine duties* (3rd ed., Newcastle, 1885).

⁷² This claim was, however, fiercely contested. Firth claimed that the Corporation had ‘never expended a penny of the Coal Tax on preserving any open space’: *Daily News*, 22 Jan. 1887.

⁷³ Most of those opposing were either government ministers or free traders such as Cooke, Chamberlain and Hoare, showing the correlation between this issue and fair trade. Ritchie argued that ‘the tax falls very heavily upon the inhabitants of the East End of London’, *PD*, 3rd ser., cccxxxvi, c. 765 (22 May 1889).

⁷⁴ Webster, ‘Coal and Wine Duties’, 130. Cf. Fardell, ‘Impeachment’, 260.

⁷⁵ Lambert to Salisbury, 12 Jan. 1887, SP, 3M/E/108, fo. 5.

⁷⁶ A. A. Baumann, ‘The London County Council’, *Universal Review*, 7 (August 1890), 494; *PD*, 3rd ser., cccxxxvi, c. 719 (22 May 1889).

the ratepayers I plead'.⁷⁷ In November 1891, the Moderate opposition on the LCC introduced an unsuccessful Council motion to reinstate the duties.⁷⁸

The rising county rate, accompanied by the concurrent upturn in second-tier demands as the vestries awoke to their sanitary and civic responsibilities,⁷⁹ ensured that the debates over LCC expenditure entered the public arena. These events contributed to a perception of LCC extravagance, which enabled the Conservatives to reclaim the languages of 'economy' and municipal retrenchment.⁸⁰ Henry Kimber, the Wandsworth MP, echoed the views of many of his colleagues when he claimed that the cause of heavy rating in London was that 'it had chosen to indulge in the luxury of a county council with the most extravagant ideas on expenditure'.⁸¹ The language of extravagance was a central theme of the 1892 LCC election. The *Evening News* envisioned an all-encompassing coalition of ratepayers, inclusive of every social class, asking:

do the taxpayers of London - from the casual labourer who lives in a single room and pays rates in the shape of excessive rents, right through the social structure of artizans, small shopkeepers, clerks and professional men, to Belgravian plutocrats - wish to pay 3s in the pound?⁸²

The Moderate candidates at Bethnal Green South West affirmed their opposition to the 'ALREADY HEAVY RATES BEING FURTHER INCREASED', whilst another candidate claimed that the rising county rate 'falls so heavily upon the occupier of small shops', and a third highlighted the 'reckless extravagance which has swollen the rates'.⁸³

During the 1895 LCC elections, announcing that 'Economy and Efficiency are our watchwords', the *Evening News* sought to appropriate for the Moderates the anti-state tenets of retrenchment, once a 'Radical article of faith', but now treated 'with scant

⁷⁷ *Hansard*, 3rd ser., cccxxxvi, c. 728 (22 May 1889).

⁷⁸ LMA, LCC Minutes of Proceedings, 10 Nov. 1891. As late as 1894, the *Morning Post* claimed that the LCC's financial difficulties were due to its 'ill-omened opposition to the Coal and wine dues': *Morning Post*, 17 Jan. 1894.

⁷⁹ See Alan Clinton and Peter Murray, 'Reassessing the Vestries: London Local Government, 1855-1900', in Alan O'Day (ed.), *Government and Institutions in the post-1832 United Kingdom* (Lewiston, New York, 1995), esp. pp 71-7; Davis, *Reforming London*, pp. 158-67. Between 1889/90 and 1893/4 vestry precepts increased by 24.3%.

⁸⁰ The party's claims to be the guardians of municipal economy had begun as early as the 1880s, with party literature attacking the 'fanciful experiments and ambitious schemes' of radicals: see Bod. Lib., 'Increased Rates: Who Are Responsible?', 1882/11, NUCA Pamphlets 1867-1914, CPA (X Films 63/1). Cf. 'Local Rates: Electors and Ratepayers', 1885/48.

⁸¹ *Hansard*, 4th ser., xl, c. 262 (28 April 1896).

⁸² *Evening News*, 25 Feb. 1892.

⁸³ Bristol University Library, 1892 LCC Election Addresses of Gould and Roberts (Bethnal Green SW); Minchin (Battersea); Germaine (Fulham).

courtesy' by 'Present-day Radicals'.⁸⁴ Such perceptions were reinforced by conflating the LCC with the activities of the London School Board, which had become synonymous with profligacy in Conservative discourse.⁸⁵ The *Standard* for instance bemoaned the 'enormous load ... piled upon the backs of metropolitan ratepayers in so short a time', and attacked the diversity of subjects taught and the provision of free stationery in board schools.⁸⁶ In 1891 George Hamilton complained that the school rate was four times that envisaged in 1870, and in 1892 the Conservative MP for Uxbridge, Dixon-Hartland, introduced a motion for a Royal Commission to investigate LSB expenditure.⁸⁷ By highlighting the alleged wastefulness of the School Board, many Conservatives sought to portray financial extravagance as intrinsic to large, central authorities. Nonetheless, Progressive leaders also appealed to their own imagined constituency of the ratepayer. Pickersgill and McKinnon Wood asserted that the Progressive programme offered 'great relief to the ratepayers', whilst Costelloe affirmed that 'the RATEPAYER is now most unjustly taxed ... while the man who takes the rent pays nothing'.⁸⁸ Definitions and constructs of the metropolitan ratepayer were clearly mutable and highly contestable terrain.

'ORIENTAL FINANCE': CONSERVATIVES AND LCC TAXATION POLICY

The foremost problem facing the Progressive Council was that their ambitious programme for municipal renewal necessitated either further rate increases, or the introduction of alternative sources of local finance. Unlike provincial municipalities such as Birmingham, ownership of utility companies in the capital remained in private hands during this period, so denying the LCC a profitable alternative source of revenue.⁸⁹ Neither was increasing the loan burden an attractive option, given that the Council

⁸⁴ *Evening News*, 28 Feb. 1895.

⁸⁵ London School Board rates rose by a total of 126.3% in the ten years to 1891/2, before stabilizing and rising by a mere 15.5% over the next five years: figures from Davis, *Reforming London*, Appendix 3.

⁸⁶ *Standard*, 5 Feb. 1886.

⁸⁷ *The Times*, 25 Nov. 1891; *St. James's Gazette*, 2 Mar. 1892.

⁸⁸ LCC Election Addresses of Pickersgill and McKinnon Wood (Hackney Central); Costelloe (Chelsea), 1892, BUC.

⁸⁹ For municipal ownership of utility companies, see Daunton, *Trusting Leviathan*, pp. 282-5; J. Foreman-Peck and R. Millward, *Public and private ownership of British industry, 1820-1990* (Oxford, 1994), esp. ch. iv.

inherited outstanding loans amounting to £40,000,000.⁹⁰ By the mid-1890s, the extent of municipal debt in London amounted, in one estimate, to £75 per ratepayer.⁹¹

The only politically palatable option was the search for new revenues, and consequently the LCC announced that it would not undertake major improvement schemes without a long-term resolution to the fiscal problem. The traditional solution of a division of rates between owner and occupier was swiftly rejected. In 1892, the LCC's Local Government and Taxation Committee warned that a mere division of rates between owner and occupier would not be sufficient, especially if it failed to extend to existing contracts, and recommended instead a measure that would tax capital rather than rental values.⁹² Costelloe further contended that, in the event of division of rates, 'the landlords will still endeavour to defeat ... the boon by a general rise of rent'.⁹³ Subsequently, the council resolved that 'we do not believe that a mere division of rates between owner and occupier could be advantageously carried out under present conditions'.⁹⁴ As an alternative, Costelloe, supported by Farrer, recommended the inauguration of a special municipal death duty. This death duty – which had the benefit of administrative simplicity – was to be levied on realty, and Costelloe estimated that a tax of two and a half per cent would raise a million pounds, or the equivalent of 3d on the county rate.⁹⁵

One innovative early proposal to fund specific municipal projects was for the introduction of a surtax – otherwise known as betterment – upon landowners whose properties would benefit from proposed improvements, such as the Strand-widening or the Tower Bridge scheme, to be taxed at three per cent on one-half of the 'enhanced' value. For many Conservatives, betterment was an anathema, an intrusion of subversive American principles imported by the Progressives. Its critics argued variously that betterment was an arbitrary impost on potential future value, that public improvements were for the benefit of immediate occupiers rather than owners, and that in any case the

⁹⁰ Figures provided in W. M. J. Williams, 'Local Taxation – its Amount and Burden', *Fortnightly Review*, 55 (Jun. 1894), 771.

⁹¹ William H. Smith, 'On the Relation between Local and Central Taxation', *Economic Journal*, 5 (1895), 182.

⁹² LMA, LCC Minutes of Proceedings, 29 Nov. 1892.

⁹³ LMA, LCC/MIN/8183, LGTC, Presented Papers, 'Memorandum by Costelloe', May 1891.

⁹⁴ LMA, LCC Minutes of Proceedings, 29 Nov. 1892.

⁹⁵ More support for a municipal death duty was offered in J. Powell Williams, 'The Taxation of Ground-Rents', *Nineteenth Century*, 33 (Feb. 1893), 307-8.

scheme should be accompanied by compensatory ‘worsement’ for properties which lost value as a result of ‘improvements’.⁹⁶ One *Quarterly Review* article railed against this ‘new, un-English, and impracticable, very paltry scheme of so-called betterment’, pointing out that that in any case it would scarcely boost the LCC’s income.⁹⁷ Another review denounced betterment as ‘essentially a scheme of rapine and fraud’ and ‘a form of Oriental despotism’, arbitrarily imposed upon those living in ‘unhappy contiguity’ to areas to be improved.⁹⁸ A key point of opposition was that owners of property were not entitled to the municipal franchise, and so were to be taxed without enjoying the protective benefits of citizenship. Henry Kimber, the Conservative MP for Wandsworth, denounced the scheme as ‘grotesque and reasonless’.⁹⁹ However, many of his parliamentary colleagues, especially those representing poorer districts, felt a far greater affinity with their ratepaying constituents than with distant West End landlords, and thus were inclined to regard any proposals to place a small additional charge on owners with equanimity. Edwin Hughes, the Conservative MP for Woolwich but a key member of the LCC’s Local Government and Taxation Committee, stated that ‘the principle of betterment was admirable’ because the burden on occupiers had reached its absolute limits.¹⁰⁰ Betterment prefaced uncomfortable differences within Conservative ranks over the vexed issue of urban taxation. Eventually a bill passed the Lords in 1894, four years after its first parliamentary outing, but its provisions were never enforced by the Council, by now aware that the principle of betterment was an inadequate answer to the local taxation conundrum.

More far-reaching and radical schemes for solving London’s pressing fiscal crisis soon entered the Progressive lexicon, especially a determination to tax the ‘permanent’ landowning interests in the metropolis rather than ‘temporary’ residential interest. This campaign was initiated by a parliamentary motion by James Stuart in March 1891, which called upon the Government to examine the best means of taxing ground-owners, as ‘the

⁹⁶ i.e. A. A. Baumann, *Betterment, Worsement, and Recoupment: with a Note on Betterment in America*, (London, 1894); Walter Emden, *Betterment by the Council versus Betterment by Recoupment* (London, 1892). Another acerbic reviewer compared betterment schemes with ‘those Oriental countries where, when murder happens, those found nearest to the corpse are tried for the offence’: Anon., ‘County counsel’, 244.

⁹⁷ Anon., ‘Betterment and Local Taxation’, 214. The reviewer continued that the gain to the ratepayer would be ‘the merest fraction of a farthing in the pound’, 196.

⁹⁸ Anon., ‘Town Holdings’, 245, 246.

⁹⁹ *Morning Post*, 18 Jan. 1894.

¹⁰⁰ *Hansard*, 4th ser., xiv. 1471 (28 Apr. 1893).

owners of real property in London contract themselves out of the rates'.¹⁰¹ Lord Hobhouse believed that a small duty on ground rents, the sometimes insignificant charge imposed by the ultimate freeholder, would be one means of satisfying demands to place a greater burden on owners.¹⁰² In itself this was not a particularly controversial measure, which received support even from those vestries such as St George, Hanover Square where one might have expected to find trenchant opposition.¹⁰³ However, the taxation of ground rents did not go far enough for many Liberals. A delegation of thirty-five Liberal MPs and some forty County Councillors protested to Harcourt that such a measure was an 'inadequate alternative for the direct taxation of ground values'.¹⁰⁴ Borrowing from the theories of Henry George and Fabian theories of 'rent', many Progressives came to embrace the idea of taxing the socially created 'unearned increment', which was estimated at anywhere between £7,000,000 and £16,000,000 per annum.¹⁰⁵ After the 1892 LCC elections and the radicalization of Progressivism, Costelloe informed Harcourt that 'no palliatives can be of any use' and asserted that 'the great "unearned increment" here should pay toll to the community'.¹⁰⁶ This agitation to tax urban land revived the old radical language of monopoly, depicting landlords as speculative parasites who were selfishly evading their rightful duties to the wider community.¹⁰⁷ One critic arraigned London's great landowners, arguing that 'no mogul monarch, no Persian satrap, was ever harder on a conquered people'.¹⁰⁸ Another demanded that landowners such as the Duke of

¹⁰¹ See *Hansard*, 3rd ser., cccli. 938- (13 Mar. 1891).

¹⁰² Lord Hobhouse, 'Local Taxation of Rents in London', *Nineteenth Century*, 24 (July 1888), 140-56; cf. Robert Hunter, 'A Fair Taxation of Ground-Rents', *Nineteenth Century*, 30 (Jul. 1891), 40-55. The National Liberal Federation endorsed the principle of taxation of ground-rents as early as 1888.

¹⁰³ The Hanover Square and Kensington vestries passed motions in support in June 1892. See LMA, LCC/MIN/8141, Minutes of LGTC, 'Presented Papers', 17 June 1892.

¹⁰⁴ Bod. Lib., MS Harcourt dep. 187, 'Memorial to Harcourt', 23 Jan. 1892, ff. 127-31. Costelloe noted that 'in London ground-rents are only a small part of the land values': *Pall Mall Gazette*, 22 Mar. 1894. Cf. J. F. Leese, *Taxation of Ground Rents and Values* (London, 1892). Charles Trevelyan later claimed that the proposal to tax ground rents had 'always presented insuperable difficulties to many Liberals' because it failed to address the underlying value of the land. See Charles Trevelyan, 'Local Taxation and the Liberal Opportunity', *New Liberal Review*, 2 (Sep. 1901), 179.

¹⁰⁵ This idea had long been expounded by the Webbs. Sidney Webb had in 1887 formed the 'United committee for the taxation of ground values': see Offer, *Property and Politics*, pp. 190-8. Readman, '1895 Election', 493, reveals that 65% of Liberal manifestos in the capital advocated taxing ground-values. For the urban land campaign, see also Ian Packer, *Lloyd George, Liberalism and the land: The land issue and party politics in England, 1906-1914* (Woodbridge, 2001), pp. 28-32, 54-75.

¹⁰⁶ Bod. Lib., MS Harcourt dep. 187, Costelloe to Harcourt, 'Memoranda', 24 Oct. 1892, ff. 85-93.

¹⁰⁷ According to Fletcher Moulton, for instance, the landowner was 'a monopolist of an article necessary to the existence of the community': Fletcher Moulton, *The taxation of ground values* (London, 1889), p. 17.

¹⁰⁸ Frank Bonfield, *The Great Landlords of London* (London, 1889), p. 107.

Westminster should ‘disgorge a small percentage of the wealth they did not earn’.¹⁰⁹ Likewise, the *Daily Chronicle* announced that ‘the landowners reap the golden harvest of the common industry’, and denounced the leasehold system in London as ‘the worst land tenure in the world’, rendering the metropolis ‘a vast building estate belonging chiefly to a few nobles, plus the Ecclesiastical Commissioners, the City Corporation, and other such powers’.¹¹⁰

Following Fletcher Moulton, briefly Liberal MP for Hackney South between 1894-5, some went even further and believed that it was possible to rate land and buildings separately, and so levy a heavier rate upon the capital ‘site-value’, whilst also taxing vacant land.¹¹¹ Such a proposal however entailed potentially complicated new schemes of assessment, and as Costelloe dryly remarked, ‘it has every merit, except that of being easy’.¹¹² A series of competing early proposals envisaged taxation through a series of rental deductions on all intermediate beneficiaries going back to the ultimate freeholder. But by 1899 the LCC Valuation Department had concluded that ‘the only practicable way to tax site values is to adopt a true and scientific basis of assessment for local taxation’, replacing rateable value with assessment by site values.¹¹³

A central premise of Conservative resistance to the various Progressive proposals was that the peculiarly complex structure of layers of ownership in London meant that property was widely diffused. Goschen, replying to Stuart’s 1891 motion, demanded to know ‘who are the owners of ground values in London’, and claimed that in the metropolis ‘no man can tell exactly whether he is an owner or an occupier’.¹¹⁴ Likewise, the moderate Percy Harris demanded to know ‘who are the right persons to be taxed?’¹¹⁵

¹⁰⁹ *Sun*, 17 Jan. 1894.

¹¹⁰ *Daily Chronicle*, 17 Jan. 1894, 8 Jul. 1895. The paper advocated a combination of Costelloe’s municipal death duty and the taxation of vacant land.

¹¹¹ See Moulton, *Ground Values*. The combined value of land and buildings in the capital was estimated at £630,000,000. Lawrence Gomme, using figures drawn up by the LCC’s Valuation Department informed the Royal Commission on Local Taxation in 1898 that the main effect of site-value rating would be an increase in the rateable value of the City and West-End, but more controversially also suburban areas. Gomme estimated increases in the City (3s2d), St James, Westminster (1s2d) and Streatham (1s4d); and decreases in Battersea (1s8d), Lambeth (1s7d), Poplar (1s6d) : see Memorandum of Gomme, *Minutes of evidence to the second report of the royal commission on local taxation, PP 1898*, xlii, app. 27, 244-6, 296-7; and table in *London Statistics*, 10 (1899/1900), 484-5.

¹¹² Bod. Lib., MS Harcourt dep. 187, Costelloe to Harcourt, ‘Memoranda’, 24 Oct. 1893, ff. 85-93

¹¹³ BLPES, London, COLL MISC 0190, ‘Report by the Valuer and Statistical Officer on the Taxation of Site Values’, Jun. 1899. See also Lange, *Local Taxation*, pp. 34-31.

¹¹⁴ *Hansard*, 3rd ser., cccli. 998-1000 (13 Mar. 1891). Cf. George Beken, *The taxation of ground-rents and the division of rates between occupiers and owners*, (London, 1893).

¹¹⁵ *Pall Mall Gazette*, 4 Apr. 1891.

The Chelsea MP Charles Whitmore attacked the ‘vulgar belief’ that all London groundowners were wealthy;¹¹⁶ whilst Goschen contended that the owners of ground rents were not ‘bloated landlords’ but individuals – especially widows – who considered them ‘the safest and best security’.¹¹⁷ It was argued that ground rents were not owned by speculators or developers, but were ‘a very popular investment for thrifty people of very moderate means’.¹¹⁸ Any schemes to capture the ‘unearned increment’ were dismissed by Conservatives as a flawed attempt to capture potential future – rather than actual – values, and thus payment would be demanded on ‘a hypothetical basis which has no actual existence and may prove by experience to have existed only in the imagination of the assessor’.¹¹⁹ One reviewer enquired why land was targeted as ‘the booty of municipal marauders’ when it was only ‘one kind among so many thousand kinds of property’, before concluding that prejudice and ignorance were determining Progressive policies.¹²⁰ Finally, Moderates on the LCC argued that ground rents were already taxed, and pointed out that separating capital from rental values would be administratively impossible, and preferred instead to proffer demands for personal property to be liable to local taxation, or for inhabited house duty – an imperial tax – to be transferred to local authorities.¹²¹

However, many Conservatives were prepared to accept a moderate scheme of taxing ground rentals. The Dulwich MP John Blundell Maple informed Salisbury that the party’s hostility to betterment and the taxation of ground-rents had alienated many metropolitan Conservatives.¹²² Some in the party even came to advocate leasehold enfranchisement as a means of widening property-ownership in the capital, thereby encouraging social stability and dignified, responsible citizenship. One reviewer in the *Quarterly Review* railed against the ‘evil system’ of leasehold tenure, which bred

¹¹⁶ Charles Whitmore, ‘The London programme’, *National Review* xxi (May 1893), 375-85.

¹¹⁷ *Hansard*, 3rd ser., cccli, c. 1001 (13 Mar. 1891).

¹¹⁸ Sassoon, ‘Ground Values’, 312. Furthermore, it was argued that landowners in London enjoyed only ‘pitiful return’ from their investments: Anon., ‘Betterment’, 212.

¹¹⁹ Sassoon, ‘Ground Values’, 305.

¹²⁰ Anon., ‘Town Holdings’, 234, 238.

¹²¹ See for example, LMA, LCC Minutes of Proceedings, 13 Nov. 1891; 2 Feb. 1892; 16 Jan. 1894. In its 1895 manifesto, the London Municipal Society endorsed the notion of transferring inhabited house duty to the LCC. London contributed about 40% of the total raised by the inhabited house duty, which was levied on houses rated over £20. In his 1890 budget, Goschen reduced inhabited house duty on smaller houses, aiming specifically at ‘the class that begins to wear the black coat’: quoted in Sabine, *Income Tax*, p. 127.

¹²² Maple to Salisbury, 8 Mar. 1892, SP, 3M/E/127, fo. 8. In addition, three London Conservatives – Colomb, Charrington and Kelly – supported Stuart’s 1891 parliamentary motion.

ignorance and apathy, and called for the ‘domestic territorial enfranchisement of the whole population’.¹²³ In another article, the author elaborated that:

‘In its present territorial condition there is not in London the most ordinary opportunity or foundation for a healthy, active corporate existence; and until this sure foundation is conceded the hostility to landlords will continue and increase among the population, while improvements will be grievously delayed’.¹²⁴

Clearly, a coherent party line on local taxation remained elusive and unobtainable. Ultimately, however, the Progressive proposals were thwarted not by Conservative opposition but by the failure of the 1892-5 Gladstone ministry to lend practical support to such schemes, which prompted protests from aggrieved Progressives. In January 1893 a memorandum was sent to Gladstone and Harcourt from the London Liberal and Radical Union demanding immediate legislation to ‘relieve the overburdened occupying ratepayers of the poorer parts of the metropolis’. Later that year, the London Liberal Reform Union resolved that it ‘deeply regrets that no relief has been provided for London ratepayers in the budget’.¹²⁵ Costelloe bemoaned that Harcourt was unwilling to adjust London’s proportionate share of Exchequer subventions because ‘he will not touch so delicate a subject for fear of the provincial votes’.¹²⁶

RATE EQUALISATION

Whilst seeking novel sources of finance, the Progressives also concurrently attempted to address the perennial question of the unequal distribution of the burden of local taxation within London, and sought to relieve overburdened occupiers through a measure of rate equalization. Pickersgill’s 1889 parliamentary motion to fully equalize the Poor Rate, a process begun by Gathorne Hardy’s Metropolitan Poor Act of 1866, was opposed by all but three Conservatives, but it signalled that the LCC would make a priority of the principle of equalization.¹²⁷ A motion by Reuben Barrow, the Liberal MP for

¹²³ Anon., ‘Town Holdings’, 225, 229.

¹²⁴ Anon., ‘Betterment’, 198.

¹²⁵ Bod. Lib., MS Harcourt, dep. 187, ‘Memorandum of Executive Committee of the LLRU’, 9 Jan. 1893, ff. 125-6; ‘Copy of resolutions passed at a meeting of the Council of the LLRU’, 8 Jun. 1893, ff. 132-5.

¹²⁶ Costelloe, *Incidence*, p. 34.

¹²⁷ The three Conservative MPs were Darling, Hughes and Kelly. Indoor poor relief was broadly covered by the Common Poor Fund, but outdoor relief remained the responsibility of individual parishes. For , see Pauline Ashbridge, ‘Paying for the Poor: A Middle-Class Metropolitan Movement for Rate Equalisation, 1857-67’, *London Journal*, 22 (1997), 107-22.

Bermondsey, to equalize metropolitan rates passed the Commons in February 1893, and the measure was reintroduced the following year as a government-backed bill.

Conservative reactions to the bill were broadly hostile, especially to its redistributive subtext, which seemed to confirm the confiscatory trend – the ‘principles of Robin Hood’¹²⁸ – within Progressivism. *The Standard* railed that it was a partisan measure, under the aegis of the ‘real authors’ at the LCC, ‘for taking toll of that portion of London which is governed, and admirably governed, by the Lord Mayor and Corporation’.¹²⁹ Certainly the City of London had most to lose, and the most trenchant opposition predictably came from those MPs such as Gibbs, Banbury and Whittaker Ellis who represented, or had close ties with the City. Banbury intemperately denounced the proposals as ‘oriental finance, worthy of the headsman of a village of Morocco’.¹³⁰ Some Conservatives argued that the bill destroyed the cherished principles of local self-government. Maple for instance objected that the measure ensured that ‘it was nobody’s business and nobody’s responsibility to look after the rates’, and thus would encourage profligate vestries in poorer areas to embark on costly schemes of social improvement.¹³¹ **Reminiscent of Dickens’ Little Dorritt where financial ruin is ‘nobody’s fault’.** Many Conservatives, aware that their constituencies would benefit, prefaced their opposition with unconvincing claims that they favoured the principle in general but not the peculiarities of the measure.¹³² This political quandary was even more convoluted for members representing suburban areas outside the boundaries of the LCC, such as Walthamstow and Tottenham, where rates were even higher.¹³³ There was an unsuccessful clamour for inclusion in an equalization measure from many of these areas on the basis, as the *Local Government Journal* abstracted, ‘their inhabitants are Londoners in the truest sense of the word, for it is in London that they earn their living’.¹³⁴ Although only Isaacson and Benjamin Cohen spoke in favour of equalisation, the bill passed the Commons without a division, Shaw-Lefevre remarking cheerfully that

¹²⁸ *Local Government Journal*, 4 Mar. 1893.

¹²⁹ *Standard*, 25 July 1894.

¹³⁰ *Hansard*, 4th ser., xxvii. 860 (24 July 1894).

¹³¹ *Ibid.* 3rd ser., ix. 356 (24 Feb. 1893).

¹³² See for example the speeches of Banbury; Bartley; W. F. Smith; Webster; Maple; *Hansard*, 4th ser., xxvii. 822- (24 Jul. 1894).

¹³³ Tottenham’s rates in the pound- including a water rate - were a staggering 9s10d in 1895-6; West Ham’s were 8s5d. See *London Statistics*, 6 (1895/6), 482-3.

¹³⁴ *Local Government Journal*, 6 May 1893.

‘most of the Tory members for London dare not vote against it’.¹³⁵ The equalization bill evidently embodied many of the conflicting instincts within the Conservative party, explaining why the party found it so difficult to integrate various groups behind a discourse of ratepaying

In its final form, the Act imposed a common levy of 6*d* in the pound to be redistributed according to population.¹³⁶ Before the passage of the bill, the council had optimistically resolved that, ‘Whenever this matter is dealt with, it will go far towards revolutionising the local government of London’.¹³⁷ However, as Table 3 shows, the effect of equalization was far from dramatic, even though 77 per cent of London’s population benefited from the Act, and only 14 of the 43 new local government districts were net contributors.¹³⁸ The *Evening News* even argued one year later that only landlords had in fact profited from equalization, whilst the benefits ‘to the poor exist only on paper and in the imaginative brains of radicals’.¹³⁹ However, the subtext to equalization, which many Conservatives continued to deny, was, as Henry Fowler observed, that ‘London is one great city, one community, one municipality, having common interests ... liable to common burdens for the discharge of common duties’.¹⁴⁰ In this sense equalization, however undramatic, was the logical extension of the creation of the LCC in 1888, a reassertion of the essential unity of London.

¹³⁵ Quoted in Davis, *Reforming London*, 171.

¹³⁶ MPs close to the City objected that the distribution according to night population was prejudicial to those areas with a large daytime populace.

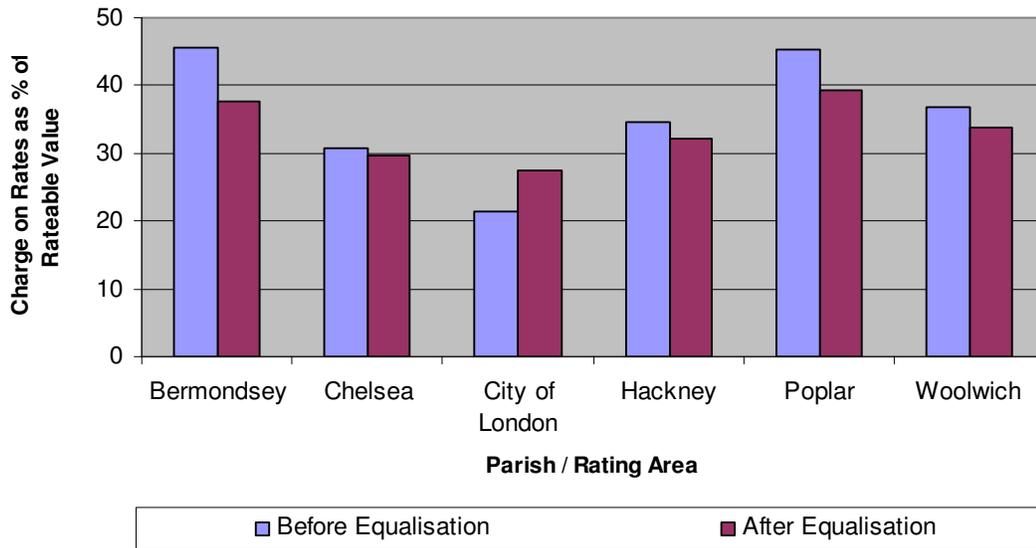
¹³⁷ LMA, LCC Minutes of Proceedings, 18 Jul. 1893.

¹³⁸ Davis, *Reforming London*, p. 171.

¹³⁹ *Evening News*, 28 Feb. 1895.

¹⁴⁰ *Hansard*, 4th ser., ix. 356-7 (23 Feb. 1893).

**Table 3: Effect of Equalisation upon Total Rate Burden (1896),
by Parish**



A RATEPAYERS' PARTY?

Fiscal questions, whether local or imperial, formed a colourful backdrop to the late-Victorian political canvas. If we see politics as a constant dialogic process of mediation and negotiation, then issues of taxation synchronically highlight both the integrative potential and the dangers of conflicting demands inherent within that process. The language of defence of ratepayers' interests, permeated by dialectic notions of extravagance and retrenchment, needed to be flexibly defined and continually reshaped. From being a monosemous slogan used by agriculturists in the aftermath of the repeal of the Corn Laws in 1846, the relief of local and imperial taxation was to become a political kaleidoscope, projecting in many directions. Taxation questions raised inconvenient questions about the reconstituted self-image and identity of the Conservative party in the brave new electoral world after 1867, and forced many Conservatives to engage with the self-referential dilemma of defining their immediate constituency. The notion of the ratepayer was a diverse and cross-class construct, to which both parties laid claim, and attempts to impose too narrow a definition proved unsuccessful. The Agricultural Rating Act, and later the 1902 Education Act, would suggest that the party leadership instinctively continued to look foremost to the counties. This, however, engendered fundamental tensions between the hierarchy and many of its elected metropolitan backbenchers, who believed that pressing urban needs ought to be privileged. The

Equalization bill exposed these torsions, producing for London Tories what Walter Long described as ‘a considerable struggle ... between what they felt with regard to the Bill and what they looked upon as their duty to those whom they represented.’¹⁴¹ The defence of groundowners interests, which is so central to Avner Offer’s account of the Conservative response, was in reality just one instinct amongst many, and one which had to be carefully formulated as one part of the defence of all forms of property to find wider resonance. The construction of a systematic party policy on fiscal question was a delicate process.

The creation of the London County Council represented a caesura in the local taxation controversy, allowing the languages of economy and retrenchment, previously the territory of Gladstonian Liberalism, to pass to the Conservative party. Within a year of the inauguration of the LCC, one Conservative MP was insisting that ‘the increase of the rates in London is becoming a burning question’.¹⁴² Tropes and images of extravagance suffused Conservative discourse in municipal elections in the capital. One backbencher alleged that ‘the LCC is now almost in the position of Argentina – bankrupt’,¹⁴³ whilst Baumann objected that the Progressives aspired to the ‘moral, physical and political reclamation of London at the expense of the rates’.¹⁴⁴ In turn, a Liberal MP complained bitterly of the ‘extravagant promises of relief to the London rates’ pledged by Conservative metropolitan candidates in the 1895 parliamentary contest.¹⁴⁵ Although one Liberal cabinet minister claimed that ratepayers and taxpayers were ‘two entirely different bodies’,¹⁴⁶ Conservative thinkers increasingly posited the shared interest of these two groups in a reduction in *both* imperial and municipal taxation. For Conservatives, the real distinction was held to be between punitively-taxed realty and lightly-taxed personalty..

Writing in 1909 in the wake of the abrupt eviction of the Progressive majority on the LCC, Charles Masterman satirized suburban ratepayers – ‘the people on the hill’ – who considered themselves heavily taxed in order that ‘the people of the plain may enjoy good education, cheap trains, parks and playgrounds’. Masterman likened this suburban

¹⁴¹ *Hansard*, 4th ser., xxvii, c. 890 (24 July 1894).

¹⁴² [Burdett-Coutts], *ibid.* 3rd ser., cccxxxvi, c. 764 (22 May 1889).

¹⁴³ [Cooke] *ibid.* cccli, c. 984 (13 Mar. 1891).

¹⁴⁴ *ibid.* cccxxxvi, c. 1335 (6 Jun. 1889).

¹⁴⁵ [Pickersgill], *ibid.* 4th ser., xl, c.140 (28 Apr. 1896).

¹⁴⁶ [H. H. Fowler], *ibid.*, iv, c. 1070 (16 May 1892).

backlash to ‘that of being suddenly butted by a sheep’.¹⁴⁷ That this Edwardian reaction of the ratepayers should ultimately benefit the Conservatives was, however, neither a natural nor an inevitable development from the perspective of 1900. The discourse of ratepaying remained a fiercely contested political terrain in late-Victorian London.

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¹⁴⁷ Charles Masterman, *The Condition of England* (London, 1909), pp. 71-4.