



www.slrgr.scot

New Start Scotland is up to us...

Given that we shall each be obliged to help foot the bill for government antivirus measures, we should all be involved in creatively planning the strategy to restart Scotland after the pandemic.



www.slrgr.scot
www.facebook.com/AGRforScotland
www.twitter.com/agr_slrg

New Start Scotland is up to us...

By Ian Kirkwood
Director, Scottish Land Revenue Group

© Scottish Land Revenue Group 2020

Have your say

<https://slrg.scot/new-start-scotland-the-conversation/>

The Scottish Land Revenue Group

The group was formed in 2014 to promote Annual Ground Rent (aka Land Value Tax) as a highly desirable replacement source of state revenue.

We aim to show how Scotland would prosper by moving away from destructively taxing legitimate economic activity (jobs and trade), and look to socially-created land values as an alternative source of public revenue that would allow prosperity to both grow *and be shared*.

Scotland has fought hard to achieve a degree of independence over tax policy. Recently devolved powers over income tax rates and bands, coupled with existing powers over local taxation, allow Holyrood to re-structure its tax system to make it much fairer and more efficient. It has not done so.

We have a core steering group and a more general mailing list. Our economists, tax specialists and land users seek wider discussion on the merits of collecting Economic Rent as state revenue. We hold public events periodically.

'AGR'

Annual Ground Rent, as prescribed by Adam Smith, is our preferred term for the collection of the socially produced surplus or net income as state revenue. Whilst better known as Land Value Tax, the levy is immune to the heavy *deadweight losses* (UK £500bn+/yr) inherent to taxes on wages and trade and is better defined as an accurate charge for the combined services/amenities provided by society and nature that people choose to access.

Contact SLRG

Ian Kirkwood
Director
ian.kirkwood@slrg.scot

John Digney
Honorary Secretary
info@slrg.scot

New Start Scotland is up to us...

By Ian Kirkwood

At the end of the virus crisis, will we settle for everything going “back to normal” or will Scots choose a new start?

Should they choose to do so, Scots can jump-start their economy and show the world how to build its way out of tragedy. There is a coherent and fair way for Scots to take a bold initiative, using the viral crisis as the fulcrum on which to make the simple but sweeping turnaround needed to escape the doldrums *fast*.

Scotland is in a strong and enviable position to make the change that would fuel an immediate, vigorous, widespread and enduring renewal.

Not austerity, thank you

The recipe is not one of high public borrowing; yet investment and productivity will nonetheless take off as a result. Nor is it a call for higher taxes; though revenue for public services will multiply. It is not a plan for austerity; instead communities across Scotland will flourish as never before. It will not be a mandate for continuing

embedded inequality; equal life chances will instead, for the first time, shadow each Scottish resident.

Our politicians are rightly busy with anti-virus action. We, at home now – unusually – have time to discuss, identify, set and demand of our political leaders the policy to release our country onto a new path. The route from lock-down to a healthy sustainable future would call a halt to unfair privileges for a minority within the UK, boost sustainable productivity and spread a new boosted prosperity into each and every derelict and repressed corner of our land.

Have your say – join the national conversation

We'll each be digging deep to pay for government antiviral measures. As residents of Scotland we are entitled, indeed obliged, to have a conversation about the strategy for recovery after Coronavirus.

We've introduced our proposals here for a *New Start Scotland*. Have your say on our 'national conversation' page –

<https://slrg.scot/new-start-scotland-the-conversation/>

New Start Scotland?

Why will getting back to business as usual *not* be good enough for the people of Scotland?

Because that would mean them having to put up with the grinding “norm” to which they have been trained from birth to accept as inevitable: a Scotland beset by seemingly intractable crises from starved public services, unsustainable private and government debt, homelessness, suppressed enterprise, low wages and an abused environment in headlong retreat.

Scots need no longer accept these crises as normal. Nor Scotland’s strident and deeply embedded inequality. The root cause can be swiftly and surgically removed IF we choose to cut it out.

Shall we insert here the many depressing pages of our collected press cuttings and references cataloguing the destitution of Scotland’s public resources? Is there a single Scot today left unaware of the spending limits which render each publicly funded service in Scotland, to say the least, *inadequate*?

Whether you look at education, policing, mental health services for children, defence, care for the elderly, or any other service, each is crying out for proper funding which – while the arbitrary taxation of wages and trade continues – they can *never* receive.

The Commons

There is a price to pay for the *New Start Scotland*: the return of the Commons of Scotland to its people.

The Westminster project of the past three centuries, the scheme designed to direct the flow of much of our socially produced wealth to the owners of sites, will wither and die. The Housing Ladder today fuels the speculative hopes of a shrinking minority; and strikes fear into a growing majority. This construct will become history.

By collecting the rent of land as state revenue (and untaxing wages and trade), the free capital gains received today by speculators in land will be no more. The reform we need Holyrood to embrace is the means of returning the pilfered Commons to the people of Scotland *in full*.

Is this a price the people of Scotland can stomach?

Whilst the powers currently devolved to Holyrood are limited, MSPs are free to make a significant start in reversing Scotland’s fortunes. The new Holyrood policy will end the highjacking of Scotland’s surplus by a minority and immediately cancel a proportion (our economists estimate about one third) of the associated avoidable economic and social damage, which economists call “deadweight losses”.

To wipe away the historic distortions, Holyrood must embrace a two-stage programme. First, immediate action making use of devolved tax-varying powers (culminating in the Scotland Act, 2016). Second, strategic planning using those powers *to the full* to set Scotland on a new road to previously unknown levels of *shared* prosperity.

Immediate Action

Holyrood must use the coronavirus crisis creatively by

1. Immediately scrapping municipal tax to enliven the High Street and boost trade in general. Enterprises thus liberated will be psychologically and productively invigorated.

Is there *anyone* left in Scotland who does not consider local taxation a regressive mess long overdue for reform?

2. Replacing the revenue with a fair and accurate non-distorting levy on site rental values.

Prescribed long ago by Adam Smith¹ and today by experts such as Nobel Prize winning economist and member of Holyrood’s own Council of Economic Advisers, Professor Joseph Stiglitz:

“...it is highly efficient to tax rents because such taxes don’t cause any distortions... A stiff tax on all such rents would not only reduce

1. *The Wealth of Nations* (1776), Book V, p 370.



Joseph Stiglitz



Sir James Mirrlees

inequality but also reduce incentives to engage in the kind of rent-seeking activities that distort our economy and our democracy.”²

Also by fellow Nobel Laureate, Sir James Mirrlees (another well chosen member of that Council until his death in 2018):

“The economic case for a land value tax is simple, and almost undeniable. Why, then, do we not have one already?”³

The message of the top available experts is clear. We must therefore ask: *has Holyrood been asking the right questions of its retained stellar advisers?*

3. Focusing on rebuilding failing Scottish Education as a priority.

Starting out on a course of abandoning the taxes which punish Scots and distort their behaviour ‘and their democracy’ in favour of fair resource rents as revenue, will provide all the funds needed – and more – to rescue Scottish education.

2. *The Price of Inequality* (2012) pp 212-213.

3 *Tax by Design* (2011) p 373. Sir James lists many of the virtues of LVT and on p 404 advocates it replace business rates. <https://www.ifs.org.uk/uploads/mirrleesreview/design/ch16.pdf>



Sir Nick Macpherson

Former Chief Secretary to the Treasury, Sir Nick MacPherson, not only laments the demise of cash-strapped Scottish education but has also long urged the adoption of a land value tax.

“The Scottish government could have reprioritised public spending in favour of infrastructure and innovation. But it hasn’t. Nor has it used its tax-setting powers to make the Scottish economy more competitive. Scottish productivity growth over the past decade has failed to match even the glacial pace of the rest of the UK.”⁴

His colleagues at the Treasury labelled Macpherson “insane” for his land tax proposals.⁵ But then again, whose interests does the UK Treasury actually serve? The people of the UK? It remains one of numerous Westminster institutions permeated and dominated by owners of the UK’s rent-yielding assets (land).

4. MacPherson’s review in the Financial Times of John Lloyd’s *Should Auld Acquaintance Be Forgot* <https://www.ft.com/content/c2e98430-62e1-11ea-abcc-910c5b38d9ed> in which the author sets out Scotland’s failure to prepare for secession.

5. Documented in *The People’s Budget No 3* (2019), Land Research Trust. <https://landresearchtrust.org/wp-content/uploads/2019/01/PB-No-3.pdf>

AGR

Land Value Tax, perhaps more accurately named *Annual Ground Rent* (AGR), is and always has been, the natural, fair and benign way to fund public services. Throughout human history it was the norm before trade or income taxes were ever devised by the “Rent-seeking” fraternity (people who like to receive wealth without having to produce or earn it).

If Scots were willing to discourage this destructive human Rent-seeking tendency (today it is not only legal but actively encouraged by extensive tax breaks), they could opt instead to live in a Scotland with a boosted economy; experience shared, growing prosperity and equalised life chances; witness accelerating innovation accompanied by the freedom to choose to reduce their working hours; enjoy living in revitalised urban and rural communities; see the housing crisis and poverty fade; experience generously funded public services and inhabit a sustainably managed environment.

This proposed immediate action by Holyrood, followed closely by a strategic planning phase would, in short order, promote Scotland up the international happiness index rankings. The AGR revenue policy, if chosen by Scots, would offer a positive world-leading example and leave the rest of the UK and the EU playing catch up.

Strategic Planning

Holyrood must next

1. Abolish the Income Tax to rescue the Scottish economy, replacing it with the fair revenue raiser, so that Scotland is no longer reliant on borrowing.

The measure will render the country self-financing, with Scots no longer condemned to perpetual annual deficits which place repayment obligations on our children and future generations.

Instead we will all be enjoying the added new shared bonus of increasing productivity, year on year.

2. Take the lead by lodging its requirement to open discussions, at Westminster, on developing a new constitutional settlement for all parts of the current UK.

A settlement to end the involuntary flow of people and resources from the UK periphery to the centre (London and the South East) and instead direct the collection of the actual surpluses of each part as the revenue of the state and guarantee its fair redistribution to each participating location.

A large minority of voters wants independence for Scotland.

A small majority might succeed in keeping the UK Idea going (their case, it must be said, strengthened by the burgeoning ill effects on the economy of Holyrood choosing to stick with arbitrary taxes on jobs and trade).

But a decent and sustainable future for Scotland – in or out of the UK – can only be provided by the tax reform to which we refer.

Not bad for everyone

There are of course, within the country, many who are doing very well, thank you, out of the existing fiscal regime (free capital gains for site owners) and who are enjoying the comforts thus acquired.

Why might this minority be motivated to rock the boat?

To them we must ask, will you fight the reform that would allow *everyone* who helps to produce Scotland’s surplus to also receive their fair share?

Will you block the change that would allow enterprises to burst through the artificial government-constructed ceiling that limits their production of shared prosperity across Scotland, reducing it by at least £39 billion a year (UK at least £500bn)? A proportion of which *you* would also receive after the reform in the form of enhanced public services – and from the *earned* income from investments in assets that do not rely on capturing a share of Scotland’s net income?

Earned or unearned?

It is time for us to unite, in our combined interests as a *society*, to require the collectors of state revenue in Scotland to differentiate for the first time

between earned and unearned income. And enact the levy on income that is unearned.

Annual Ground Rent is that levy. To enact AGR would be to untie the gordian knot binding land/resource tenure to the automatic and unfair extraction of vast free capital gains produced by others (society).

Freeing up enterprises to produce increased prosperity – prosperity that would be *shared* – and ending embedded Scottish inequality is the new Scottish project, let's call it *New Start Scotland*, in which we can all be proudly involved.

How?

By demanding our MSPs get to work on AGR in the interests of the people they say they represent.

Running total

Holyrood has failed to make proper use of its devolved tax varying powers. The cost of that failure can be estimated. Replacing the Income Tax with AGR will net Scotland at least an extra £12 billion a year to be shared between the public and private sectors. For each year of delay, then, Holyrood has already lost Scotland at least that sum. The miserable *minimum* running total of avoidable deadweight losses since powers over Income Tax were devolved (2016) will exceed £60 billion by next year (2021). *And counting!*

Back to 'normality'?

We have estimated that by adopting the measures outlined above, Holyrood can immediately cancel about one third of the current damage being inflicted on those who live and work in Scotland, releasing £ millions for public services that is today unjustly extracted by parasites. That leaves further work still to be done: getting control of and killing off the other two principal deadweight offenders, National Insurance and VAT.

We strongly urge Scottish voters – and betrayed voters of the future (our kids) – to join the national conversation on the strategy to build a Scotland in which it will be a joy to live. The positive results of the *partial* reform made possible by devolution will provide the impetus to complete the *New Start Scotland* project.

Back to “business as usual” after Coronavirus? *No thanks!*

Scotland's *avoidable* deadweight losses

Watch out for our next contribution to the national conversation spelling out the extent of the avoidable damage inflicted on us because of *bad tax choices*. Do the losses really exceed £39bn a year in Scotland (UK £500bn) as our economists assert?

We'll be explaining the flaws in current IMF thinking on this vital but little-discussed subject, with whose workings we must each get to grips if we are to understand the root cause of embedded inequality and help our politicians make a difference.