

# THE REAL "PRICE TAG" ON REFORM?

**N**O-ONE can doubt the sincerity of Angus MacKay to champion land reform in Scotland.

He is reported as stating: "The land for the people is an idea whose time has come."

But the Deputy Minister of Justice with special responsibility for the land reform agenda, who represents Edinburgh South in Parliament, has a limited vision of what this aspiration means.

He spelt out his vision in response to the publication of a new book by land reform campaigner Andy Wightman who calls for the introduction of a land value tax. \*

Mr. MacKay responded with a letter in the *Glasgow Herald* (Sept. 8), in which he said their vision was to increase diversity in the way land is owned. "Redistributing opportunities – yes. Dismantling landed hegemony – no, not with the sort of price tags that come with some of Mr. Wightman's ideas. There are better things to spend public money on – like schools and hospitals – than the vast amounts of compensation to the landowners of Scotland that some of his proposals would require".

Mr. MacKay insisted that "real change has to be workable and it has to be affordable. Focusing on practical and cost effective solutions is the only way of making land reform a reality".

But the Deputy Minister for Justice was not allowed to get away with his audit on the cost of

reforms. His outburst on price tags provoked letters to the *Herald* which made it clear that the people of Scotland wanted a full calculation of the costs and benefits of all relevant policies.

For example, the costs of fiscal reform linked to land need to be weighted against the costs of the present tax regime that falls on working people and their savings. Current taxation imposes an enormous negative cost on Scotland (*see opposite*).

The correction to this regime of exploitative public finance was identified by Edinburgh academic Alistair McIntosh, who replied to the price-tag conditionality on land reform on September 13:

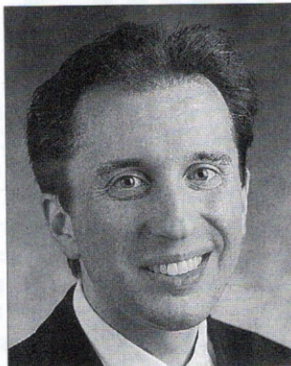
"There are two fiscal mechanisms for addressing this that would be compatible with both the market economy and our international legal obligations.

"The first, obviously, is to apply a form of land value taxation. The frame-

work for one form of such taxation – sporting rates – is already tested and proven and so could readily be reintroduced by the Scottish Executive.

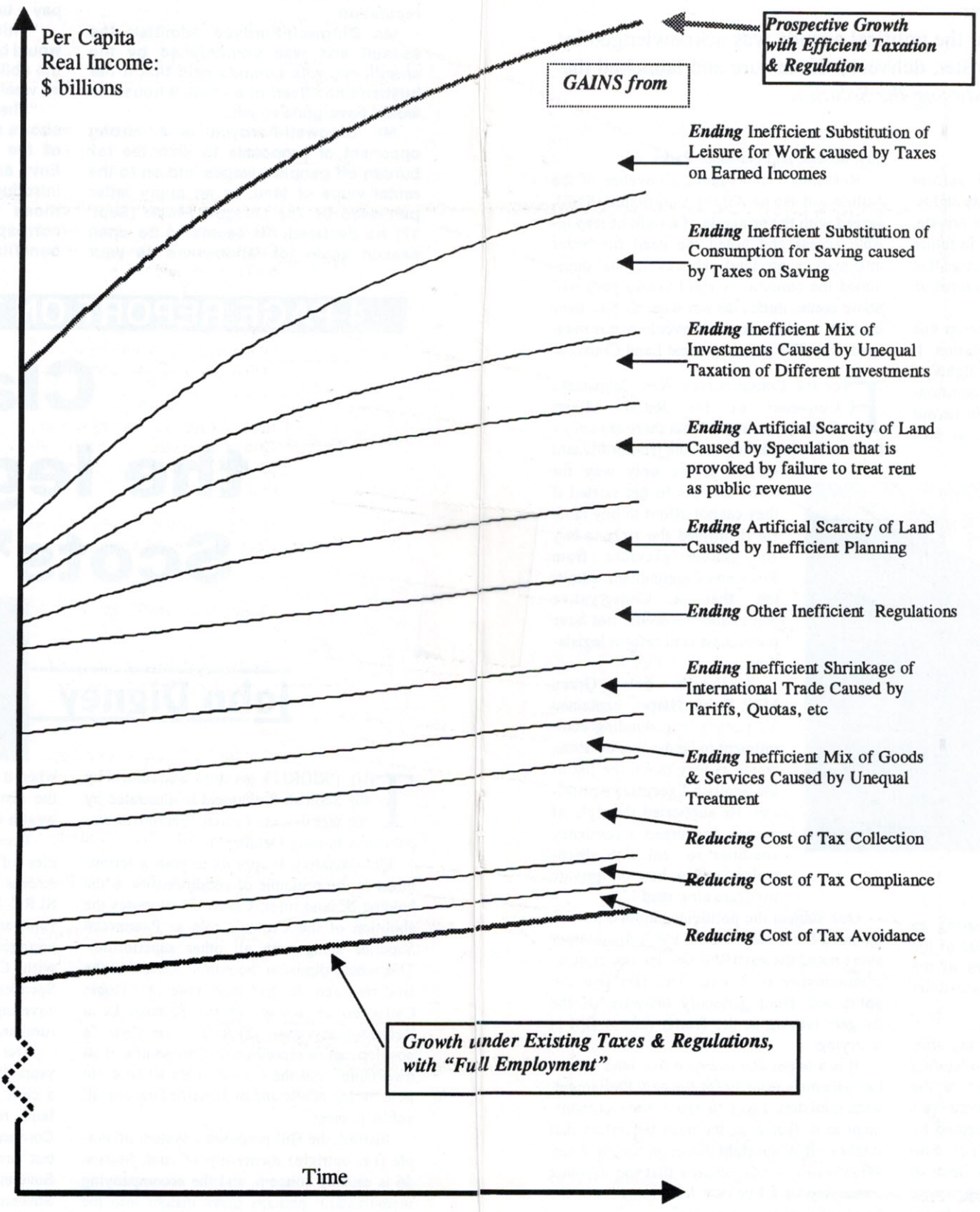
"The second would be to instruct the Inland Revenue and Customs and Excise authorities to conduct a rigorous audit of the fiscal organisation of landed estates to block any evasion and close tax avoidance loopholes".

□ Andy Wightman, *Scotland: Land and Power*, Edinburgh: Luath Press, 1999.



■ Angus MacKay

# Eleven steps to the efficient financial & tax system



# RENT IS THE TAXABLE SURPLUS

THE BENEFITS of an effective programme of land reform are summarised in the graph by US economist Nicolaus Tideman.

People generally assume that land reform is a matter of altering access rights to land itself.

In fact, it is a complex issue which affects practically every aspect of life. And a methodical approach would enrich society to a degree undreamed of by those who limit their ambitions to rearranging the numbers of people who can possess a few acres.

Dr. Tideman is professor of economics at a university in Virginia. He is currently working on a computer-based model of the UK economy to calculate the negative costs of conventional tax policy.

Taxation is the starting point of any effective land reform. The reason: *the taxable surplus of every society is the rent that people are willing to pay for the use of land and natural resources.*

Last year, Dr. Tideman estimated that Britain was losing more than £430 billion as a result of the negative impact of taxes. On a crude *per capita* basis, this means that Scotland is losing more than £30 billion every year because government insists on using taxes that impair people's willingness to work, save and invest.

With every step up the ladder towards an efficient and fair system of public finance, the quality of every citizen's life is improved.

◆ There is a progressive reduc-

tion in the scams to which people are driven to avoid paying taxes.

◆ The frictions within society are diminished as the urban fabric is enhanced.

◆ People's expectations are modified – who needs to be greedy when we can all provide for ourselves without depriving others?

◆ The natural environment is improved, as resources are conserved and nature treated with respect.

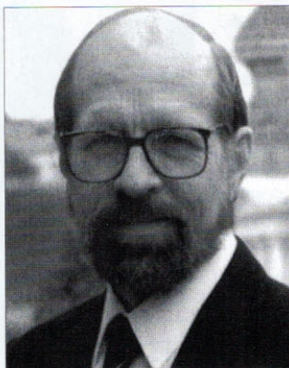
◆ The economy functions more efficiently as people are allowed to exercise their judgements on the basis of productivity rather than tax efficiency.

All these considerations lead to a dramatic increase in the output of goods and services. The basis for measuring growth alters from the current one, which is an arbitrary catalogue of easy-to-measure indices, to a new measure based on sustainable

improvements in the quality of life and conservation of nature.

This strategy for land reform requires a comprehensive approach to reviewing most political assumptions about what needs to be done to solve problems like urban poverty and global competition.

Dr. Tideman's current work will lead to an even more accurate calculation of the costs of current taxes and the benefits of shifting towards a rational distribution of property rights in land and public finance.



■ Nicolaus Tideman