

How to finance a new Scottish politics



■ James Robertson



■ Chris Huhne



■ Ben Howells

THE GEORGE Intercontinental Hotel was the aptly named venue for a double seminar on March 5 entitled "Funding Multi-Layer Democracy", writes *John Digney*. The joint organisers were Land Reform Scotland and the Henry George Foundation. Despite being tied into the Liberal Democrat Federal Spring Conference, the event had a cross-party and even intercontinental flavour.

"How Land Reform Can Fund Scotland" was chaired by Rob Gibson, the SNP's Land Reform Adviser and a persuasive advocate of land-value taxation. He deplored the way that LVT has been misunderstood in Scotland and misrepresented by some as nationalisation.

Andy Wightman, the author of *How Scotland is Owned* (1998), summarised the background to the current land reform debate. In his inimitably entertaining style, he drew attention to the appallingly concentrated pattern of land ownership, but warned of the inadequacy of the Scottish Office's proposals to facilitate wider community ownership. He condemned the concept of "outright ownership" favoured by the Scottish Office as a replacement for feudalism, arguing that this would be "giving Scotland away".

My contribution was to present the case for LVT and to contrast its effects with other forms of taxation. This theme was developed by other speakers, notably in a presentation entitled *The Devil's Taxes* by James Robertson, author of the Schumacher Society study *Transforming Economic Life* (1998).

Dr. Eleanor Scott, of the Scottish Green Party, pointed out that income tax had only been introduced in 1799 as a means of funding the Napoleonic Wars but had stuck with us ever since. She reminded us that the Scottish Green Party is unique in having consistently advocated LVT.

Donald Gorrie, Liberal-Democrat MP for Edinburgh West, reinforced the point that few MPs understand LVT and perceive it as a tax on rural activities. By contrast, he sees a role for site-value rating on commercial

premises, but still favours local income tax in the non-commercial sector. The Scottish Parliament, he noted, will have the power to restructure local taxation and could increase the proportion of locally raised revenue.

The practicality of introducing LVT and the experience overseas of doing so were the main themes pursued by the remaining speakers. Chairing the afternoon session, 'A Fair Fund For Federalism', former *Guardian* economics editor and prospective Euro parliament candidate Chris Huhne (a Lib-Dem) emphasised the present-day relevance of LVT. He cited Hong-Kong, which has the lowest rate of income tax in the world and greater level of income per head than the UK, thanks to its reliance on land rents as a major source of public revenue.

Of great interest was the contribution by Ben Howells of Allentown, Pennsylvania, who offered first-hand experience of introducing LVT. Allentown operates a two-rate property tax, one rate for land and one for improvements. The land rate was adjusted upwards until 50% of the revenue was raised from each. A crucial factor in gaining public support was the fact that 82% of properties in the city would pay less under such a policy. A building boom and fall in unemployment have been among the most conspicuous results.

Convincing the public of the desirability of LVT was the theme of the concluding presentation by Tony Vickers, Chief Executive of the Henry George Foundation of GB. He quoted examples from across the globe of the success of the tax in one form or another and of its popularity once introduced. Public disillusionment with other taxes ought to provide a foothold for its introduction, but not overnight. He warned against selling the idea of the "single tax", and his suggestion for site-value rating initially as a replacement for the uniform business rate echoed the idea of Donald Gorrie. LVT could then gain a progressively higher profile as public confidence in it grew.



Lairds clash over value of their land

SCOTLAND'S lairds are not unanimous on the virtues of high land prices. The question of whether land ought to have a tradable value arises from the

Aberdeen □ Collateral

selling value higher than zero".

Dr. Pickard, a former Leeds University lecturer, argues that the rural community would be better off if public revenue was based on the rents people were willing to pay for the occupation and use of land. This revenue would enable government to abolish taxes on earned incomes such as wages and the profits from capital improvements on the land, which would simultaneously benefit the urban population and resolve problems like the shortage of housing.

☒ **ON THE RIGHT** was Mr. Andrew Dingwall-Fordyce, who owns the 2,340-acre Brucklay estate in Aberdeenshire. He is convener of the Scottish Landowners' Federation. He urged that land reform should not be guided by "envy or revenge". He attacked the proposal for a land tax as one that did not necessarily reflect ability to pay. And where

was the debate about the need for a land tax in the urban area? He warned that the land tax would be a disincentive to investment in land.

The SLF convener questioned the long-term financial implications of the land tax, particularly emphasising what he claimed would be the impact on investment, and asking who would pay the costs of the policy.

These questions are central to the issue of land reform, the political "hot potato" that has been dropped into the laps of the newly-elected Scottish Members of Parliament. They will have to determine the extent of reforms as part of their wish to improve the fabric of Scotland's natural environment, culture and economy by reforming the structure of public finance.



groundswell of interest in the proposal for a tax on the rental income of land.

A clash of opinions surfaced at a symposium sponsored by the Royal Society of Edinburgh at the University of Aberdeen on April 27. The theme was land reform.

☒ **ON THE LEFT** was Dr. Duncan Pickard who owns 600 acres and rents an additional 300 acres in Fife. He boldly declared: "The only people who benefit from high land prices are farmers who wish to sell, banks that want high asset values against which to secure their loans, and estate agents who want commissions. There is no reason, in my book, why agricultural land should have a