A New People's Budget

As its centenary rolls round, **Jock Coats** hopes the wisdom of Lloyd George's People's Budget will resonate for post-crisis legislators

Scotland Following a meeting with HGF member Professor Roger Sandilands, Glasgow City Council has commissioned a pilot study in one of its inner city wards as a first step in appraising land value taxation.

The timing is neat. In 1909 Glasgow's George Square saw demonstrators in their thousands demanding a tax on land values. The Scottish Secretary took advice from the the Foundation's forerunner, and introduced the Land Values (Scotland) Bill as the precursor of a general land value tax. But it all came to nought.

Funding local services in Scotland continues to be a question for powerful debate. The current Council Tax is mostly reviled. The SNP government's contentious local income tax proposal was rejected by the Parliament in December. With a lull in the political brawling, land value taxation is receiving increasing positive attention. Labour's new leader Iain Gray said he "would bring parties that support a property-based tax together to replace the council tax or reform it [including] the Greens' proposal for a land value tax"—*The Scotsman* reported.

Meanwhile the Renegade Economist film team has just shot a short documentary in Glasgow. Its channel can be viewed on YouTube. WWW.YOUTUBE.COM/RenegadeEconomist

LAND AND tax reformers could scarcely have planned better the timing of global financial meltdown than for it coincide neatly with the centenary of the 1909 'People's Budget'. For the current crisis in financial and property markets demonstrates starkly the importance of land even in the most sophisticated, modern, ethereal economic system. The ideas and principles behind Lloyd George's land taxing budget of a century ago also provide many of the answers to the issues we face today.

It is, of course, the well documented debate surrounding that budget and, later, the constitutional upheaval it caused that are far more important to us today than the Finance Bill of 1909 itself. Few of us would implement any land taxes the way Lloyd George proposed, I'm sure. But Winston Churchill's "speeches by the yard on the land question" delivered to approving packed public meetings continue to give us some of our best arguments for land taxes today. The two big questions we face on the economy in 2009 are answered by those hundred year old arguments.

On the one hand, to prevent recession turning to slump, or worse, we need to be more forthright than ever in promoting free trade and not allowing protectionism to creep into economic policy. As governments discuss whether and what type of fiscal stimulus may be required they need look no further than "Churchill's Tax Switch"; de-taxing, and so stimulating, the economically productive processes of work and investment in capital, and taxing instead the unearned product of others' labour and 'investment' in the form of land values.

While on the other hand, land taxes also address the second great consideration of the day: how to prevent this happening again? The bubble now bursting so spectacularly was based on the unsustainable inflation of land values; the direct result of official policy to keep debt-money plentiful and so support the consumer-led economy. As we rebuild our financial institutions and fiscal controls, land taxes ought to be an essential tool for stabilising the land market and preventing such speculative bubbles feeding monetary expansion.

So the current economic and market turmoil probably gives us the best opportunity in a generation, perhaps a lifetime, to press home the case for land taxes being the basis of a new economic system.

This bubble has brought us a whole new potential generation of supporters—those who were left behind by rising land values, unable even in decent average-income type jobs to get on the housing ladder. No longer just the very least well off, though as tenants they too suffered disproportionately, but young, educated, working, voting and generally successful households. And for those who did stretch themselves to reach the housing ladder, taking on debt that in any other circumstance would be irrational and unsustainable, they are experiencing now the greatest injustice of getting their overstretched fingers the most burned in the meltdown.

If we look we find a breadth of support for land taxation right across the political spectrum, today, as historically, with figures such as Bernard Shaw on one side and Milton Friedman on the other. We must use the centenary of the People's Budget to develop more popular understanding, and with it, depth of support, the likes of which packed into the King's Theatre in Edinburgh to hear Churchill explain it in 1909. For perhaps like never before, we need a New People's Budget to prevent ordinary people, and the poorest more than most, bearing the brunt of the effects of an 'age of irresponsibility' such as, recently, we have lived through. L&L

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