

INSITE analyses dramatic shift in Tory power structure

Mrs. Thatcher breaks the grip of landowners

FOR THE first time in industrial history, Britain is confronted with the prospect of a consensus in Parliament in favour of a radical change in the power structure.

Twice in this century — in 1909 and 1931 — governments have sought to subvert the power of aristocratic landowners by beginning the process of undermining their economic power.

Both attempts were eventually defeated by the landed elite through their control of the junction boxes in the political system.

It took a woman — Margaret Hilda Thatcher — to turn the tables on the landowners, and so open up the possibility of a rational approach to solving the problem that distorted the Industrial Revolution: land monopoly.

WHEN Mrs Thatcher came to power in 1979, she was a Prime Minister working within the traditional values of the Conservative Party, which lie deep in the shires and the big urban estates of the ancient aristocratic families.

This class retained its power during two centuries of social and economic upheaval through a mixture of paternalism (creating the idea of stewardship of the land and the people on it) and of effecting timely compromises.

As one commentator noted during the 1983 general election campaign: "One of the traditional goals of the Conservative Party is to avoid the ruling classes being hanged from lamp-posts."¹

Mrs Thatcher, while not holding a high opinion of the leisured class whose sons came to power as a birthright rather than on merit, is not openly hostile to the private ownership of land. Indeed, it is part of her concept of a property-owning democracy, which she believes ought to extend down to families living on council estates.

However, the "wet" values that she finds so intolerable happened to be those of the landowners. These values created economic conditions which she blames for the deep-seated problems that now beset the country.

So as the dole queues lengthened, it was inevitable that the "wets" among Conservative ranks should start to demand an approach to policy-making that they



● Margaret Thatcher

considered to be both socially humane and economically prudent.

Keynesian pump-priming was their prescription for the unemployment problem.

Mrs Thatcher disagreed. She fought the wets, and eventually triumphed. But the inevitable result of this battle over policies meant a realignment of men in the positions of influence in her government.

One by one, the landowners of substance left their posts, to be replaced by the "hard" men who believed that national salvation lay down the road of stricter control over the money supply, and by not flinching when the going over the economic hurdles got tough.

And so, early this year, it became clear that a landslide victory at the polls for Mrs Thatcher would result in a remarkable transformation of the power structure inside the Tory Party.

Businessmen understandably recoil at the suggestion of tax reform. At the state and local level, "reform" has become virtually synonymous with tax increases. Real estate taxes in particular have grown increasingly unpopular in recent years, and genuine reform remains elusive because people prefer the devil they know to the devil they do not understand. But higher land taxes, especially when accompanied by reduced taxes on structures, look like an idea businessmen ought to embrace and promote. The benefits in the form of more jobs and increasingly compact development are not only lasting, but flow to the whole community. ♪

— FORTUNE, the U.S. business magazine, Aug. 8, 1983, p.71.

THE FIRST to publicise this development was Lady Marcia Falkender, who was private secretary to one of Labour's ex-Prime Ministers, Sir Harold Wilson.

"She and her friends stand against the power of the old aristocracy, just as much as she stands against the new power of the trade union movement," wrote Lady Falkender.

"She is not a Tory at all; she is an old-fashioned Liberal, a new Gladstone believing that what counts is 'muck and brass'.

"The old Liberal Party stood for the merchants, the factory owners and the businessmen determined to get the landowners off their backs. So does she, but adds what she regards as their modern equivalent, State interference.

"Only now with the landowners off her back is she free to act."

In the run-up to the election, as the ideological battle within the Tory ranks hardened, the few remaining landowning grandees with power became the targets for the Thatcherite bloodhounds.

Home Secretary Willie Whitelaw, for example, was accused of being too soft in his attitudes to crime, that he had failed to get to grips with law and order.

And so, as the polls started to predict a landslide victory for Mrs Thatcher on June 9, the conservative commentators developed their critique of the new Tory Party.

The most thorough assessment came from the pen of Peregrine Worsthorne in *The Sunday Telegraph*:

"Make no mistake, it is not only the unskilled unemployables in the depressed areas of the North who will be lamenting the return of Mrs Thatcher.

"From the landed gentry of the shires will be heard just as bitter a volume of wailing and gnashing of teeth. For if the former face material impoverishment at the hands of a triumphant Mrs Thatcher, the latter can expect a no less painful deprivation: loss of political influence, for which the continuation of fox-hunting will be only scant compensation.

"In her eyes, neither group deserves much consideration, since she is as ignorantly contemptuous of the values

of the so-called idle rich as of the so-called idle poor.

"If Britain is to prosper, says she, both must be consigned to the scrapheap of history."³

The Sun, Britain's best-selling tabloid newspaper, was gleeful at the prospect. It declared in its editorial on May 24:

"For the first time since Cabinet rule emerged more than 250 years ago, we have a Tory government without an Old Etonian.

"The school where countless generations have been raised in the arrogant assumption that they were born to command will not be commanding anyone any longer.

"Under the grocer's daughter from Grantham, the Tories have at last thrown off the mantle of aristocratic influence and privilege."

Mrs Thatcher won the election with a majority of 144.

HISTORIANS will eventually put this political development into perspective.

The roots of the change may go back 15 years before Mrs Thatcher was elected leader of the Conservative Party to a time when, according to sociologists, there began a decline in the deferential attitudes of the working class.

But whatever the reasons, there can be no doubt that the British political system is at a watershed. For the first time, the economic power of the land monopolists *could* be challenged by a Parliament that is no longer in the grip of the old aristocracy.

There is no certainty, of course, that Mrs Thatcher will now launch a campaign against the landowners. In fact, most conservative philosophers are confident that this will not happen. Worsthorne, for example, declares:

"Thatcherism poses no threat to the wealth of the ruling class, who stand to be better off than ever before. Everything material about the old order will be preserved, except its public spirit, which was its main justification.

"So far as ownership is concerned, nothing will change. The change will be political, not economic; in the distribution of political rather than economic power."

This may be a correct evaluation, insofar as Mrs Thatcher's present attitudes are concerned. As a basis for predicting no change in the distribution of wealth, however, it stands on shaky foundations.

● First of all, if the "public spirit" of the landed elite evaporates, it will find itself in serious difficulties when it seeks to reaffirm (as it has to do, periodically) its right to the property and privileges which it now enjoys.

● Secondly, it is incumbent on economists to show that the land tenure and fiscal systems are *the* major obstacles to the meritocratic society to which Mrs Thatcher aspires.

Winston Churchill knew that this was so: that was why he fought so hard for a tax on land values.

A great deal of work still needs to be done to uncover the way in which the distribution of rental income *undermines* the process of wealth creation; the way in which the operations of the land market *undermine* entrepreneurial activity. This research has already begun.⁴ It reveals that the one denominator common to all major depressions in the past 200 years — from the USA in the West to Japan in the East — has been the phase of intense land speculation which disrupts both consumption and investment.



● PETER WALKER



● LORD CARRINGTON

OUT: Lord Carrington, hereditary landowner; Sir Ian Gilmour, Middlesex landowner; Francis Pym, Cambridgeshire landowner; and Tory grandees Lords Soames and Thorneycroft.

PUSHED ASIDE: Peter Walker, ex-Shropshire landowner, demoted from Agriculture to Energy. William Whitelaw, Cumbrian landowner, reluctantly accepted elevation to House of Lords after re-election in June.

● During these periods, families are forced to cut back on their purchase of goods and services as rents and mortgage payments rise as a proportion of disposable incomes.

● Entrepreneurs discover that buying or renting land is prohibitively expensive: so businesses are not created or expanded. The disruption in the house-building sector is particularly noticeable, forcing a cut-back in capital investment.

The solution is to tax away the profits from land speculation, and the only effective instrument for doing so (without creating alternative friction points in the system) is to impose an annual tax on the rental value of land.

The tax would have to be set at a high enough rate to deter long-term hoarding for no better reason than prospective capital gains.

It was this tax which was unacceptable to Conservatives before Mrs Thatcher's rise to domination over her party.

MORE INFORMATION will have to be accumulated and analysed before politicians will risk a shift in their attitudes back to the convictions expressed during Churchill's early days in politics.

This shift may not prove to be so hard to execute, however, because the old reference points in orthodox economic philosophy have now lost their credibility.

What we can say with confidence is that *if* the politicians once again perceive the intimate connection between land monopoly and economic activity, the broad consensus exists in Parliament for a reasoned approach to the formulation of rational policies.

The debate in the House of Commons will undoubtedly surface, in some form, because Mrs Thatcher has declared her intention to break with over three centuries of tradition and impose central controls over rates, the property tax which has hitherto been administered by local governments.

Her centralised control is intended to *reduce* the level of the tax: there is no reason, however, why the debate should not open up the possibilities of radically reforming the tax by *raising* the rate on land values and *eliminating* the burden on capital improvements upon the land.

Already, there has been a partial move in this direction by the Royal Institute of British Architects' London region planning group, which now advocates a tax on vacant land rather than on empty properties.⁵

The possibility of a drastic re-orientation of economic policy, then, is not a fanciful one. All will now depend on the vigour with which the advocates of land value taxation educate the public and their political representatives as to the virtues of their alternative strategy as a programme for full employment and social justice.

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