

The Great Betrayal: 1707 and the blueprint for a new deal for Scotland

Westminster, the Landlords' Parliament, twice betrayed its legal obligation to Scotland

THE FIRST BETRAYAL was of the *Treaty of Union*. In 1707 the agreement between Scotland and England was grounded in the Land Tax. The treaty was subverted by England's aristocracy and gentry when they replaced the Land Tax with taxes that degraded people's lives.

THE SECOND BETRAYAL was in 1910. To fund old age pensions and unemployment benefits out of the kingdom's rents, Scotland delivered the democratic mandate for *The People's Budget*. The landlords blocked its implementation.

If Parliament had honoured the agreement of 1707

- Scotland's prosperity would not have been prejudiced to favour England; and
- rural communities in the highlands and islands would not have suffered discrimination in favour of lowland urban centres.

The Land Tax guaranteed a fair share-out of the benefits that would flow from the union. Every locality would have flourished. Instead, the public's finances were rigged to favour English landowners and, today, the owners of land in London and South-east England.

The Barnett Formula, which allocates grants to regional governments, camouflages the injustices. Scotland is deprived of its share of the UK's taxable revenue – the net income, which is the *rent* people are willing to pay for the use of the services of nature and society.

If Westminster had remained faithful to the 1707 treaty, the 2 million Scots who were driven into exile in the 19th century would have had the choice of

Clause IX of the Treaty of Union: Act Ratifying and approving the Treaty of the Two Kingdoms of Scotland and England, January 16, 1707:

'That whenever the sum of £1,997,763 8s 4½d shall be enacted by Parliament of Great Britain, to be raised in that part of the United Kingdom now called England, on land and other things usually charged in Acts of Parliament there for granting an aid to the Crown by a land tax, that part of the United Kingdom now called Scotland shall be charged by the same Act a further sum of £48,000 free of all charges, as the quota of Scotland to such tax and so proportionately for any greater or lesser sum raised in England by any tax on land...'

remaining in their homeland. And people who now die (on average) up to 17 years prematurely in some Glasgow localities would enjoy normal lifespans.

Landlords' Taxes guaranteed budget deficits. To address this the Cameron government's Universal Benefit plans will render about 2.6m working families worse off by an average £1,600 (IFS estimate), *even as the price of land in London soars*.

Tax policies drove 2 million Scots into exile in the 1800s and today they cut short some Scotsmen's lives by 17 years

The Treaty of Union enshrined the principle that all subjects of the single Crown would be treated as equals. Under the economics of the Land Tax (Clause IX), the benefits of the union would have translated into fair shares for every person, hamlet, village, town and city.

Instead, little time was lost in subverting the financial deal of 1707. The trusteeship of land as a social asset was abandoned. As Adam Smith noted, *rent was the buoyant source for revenue to fund public services*.

2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Net deficits under the current tax regime (2013-14 result and IFS projections to 2020¹)						
- £3.8 billion	- £5.9 billion	- £7.6 billion	- £8.2 billion	- £8.5 billion	- £8.9 billion	- £9.7 billion
Net gains from zero-rating Scotland's Income Tax and re-introducing Land Value Rating						
+ £11.5 billion	+ £11.5 billion	+ £11.5 billion	+ £11.7 billion	+ £11.9 billion	+ £12.2 billion	+ £12.4 billion

¹ David Phillips, *Full fiscal autonomy delayed? The SNP's plans for further devolution to Scotland*, London: IFS, 21 April 2015. <http://www.ifs.org.uk/publications/7722>

But the Landlords' Parliament embarked on the systematic replacement of the Land Tax with new imposts on the population.

- **A tax on beer:** the law-rigging aristocrats avoided that levy by brewing their beer on their estates.
- **A tax on salt:** this fell regressively on the peasants who toiled on the land, tilting the financial scales in a way that wrecks lives to this day.

These were followed by a cascade of taxes including the Income Tax. Working people were impoverished. Protests by social activists risked harsh punishments, including banishment to the colonies.

The Landlords' Parliament evolved the template for separate cultural and economic development based on one iron law:

- those who capture the net income of society enjoy the happiest – and the longest – lives; whereas
- people deprived of their share of social rents are destined to endure lives described by Thomas Hobbes as 'nasty, brutish and short'.

That formula originated with the English aristocracy in the 17th century. It was honed in the 18th century as the rural population was cleared from the commons, then applied with ferocity by the clan chiefs of Scotland in the 19th century.

The outcome was an exodus of biblical proportions. In less than a century, 2m Scots were expelled from their homeland. Between 1921 and 1931 alone, about 400,000 Scots – 10% of the population – was forced to emigrate, for want of work in the land of their birth.

The economic impact emerges when we compare Scotland with Denmark. A resource-poor territory half the size of Scotland now enjoys double the density of people and a higher standard of living. This is how the difference is explained:

- In the 19th century, Scottish families were cleared from their clan land by their chiefs.
- in Denmark the monarchy ordered the restoration of land to the peasant population.

Death by Acts of Parliament

Westminster's manipulation of taxes is ultimately responsible for the gross inequality in life expectancy. Male babies born today in Glasgow, on average, will live 13½ fewer years than babies born in the London borough of Kensington and Chelsea.

The choice for Holyrood is stark:

- retain the fiscal policies that nurture a killing cult – the legacy of the Landlords' Parliament; or
- zero-rate the Income Tax and replace the revenue with a modern Land Tax.

The tools currently employed in Holyrood cannot launch Scotland on a path to economic independence (see table). But if Holyrood zero-rated the Income Tax and recovered the revenue from Scotland's rents, an annual net gain of £11bn would be shared between the public and private sectors. This would launch Scotland onto the evolutionary growth path to independent prosperity – the result of increased productivity as the 'deadweight losses' of the Landlords' Taxes are abolished.

Under the Barnett Formula, the *per capita* grant to Scotland runs at about £1,500 more than for England. But the distribution of funds to regional governments ignores the discriminatory impact of

public investment. These investments create streams of rent that *leak into private pockets* via the land market. The overwhelming bias favours land owners in London and the South-east. Every year, Londoners pocket £59 billion worth of tax-funded benefits – the imputed annual rental value of houses – compared to Scotland's £13 billion. That value is by courtesy of the Landlords' Parliament. *If the Land Tax formula of 1707 had been preserved, the revenue flowing north from London would be immensely more than what Scotland receives under the Barnett Formula.*

Treaties can be amended. But the Landlords' Parliament did not seek the consent of the people when the Land Tax was replaced by their self-serving Treadmill Taxes. The time has come to correct that injustice.

Newly devolved powers allow Holyrood to zero-rate the Income Tax and replace the revenue with a modern Land Tax