

Debt Death and Deadweight

INTRODUCTION

Towards an authentically humane society

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BRITAIN is faced with an historic opportunity. The break-up of the formal relationship with the European Union obliges both the public and politicians to consider what the future of the United Kingdom could and should look like. By a small majority, people created the political space for Parliament to redesign those aspects of the social model which cause havoc in the lives of just about everybody.

That a new constitutional settlement is needed is driven home by the repetitive nature of the crises that confront all four nations of the UK. The inability of Parliament to once-and-for-all erase these crises emphasises that there is something fundamentally wrong with one or more of the pillars that prop up the social structure.

The costs of the malfunctioning system were painfully exposed by the inferno that consumed the lives of more than 80 people in Grenfell Tower in July 2017. In the midst of the wealthiest borough in the country, vulnerable families were decimated because a premium was placed on cost-saving at the expense of people who needed social housing. Images of the inferno are now indelibly inscribed on our minds, a horrific vision that rammed home the need to interrogate the cultural forces that permitted that terrible deed. But the odds are stacked against a comprehensive examination of the conditions that led to that crime against humanity. Time and again, when scandals are exposed in the media, officials declare that “the lessons will be learnt and action will be taken so that it never happens again”. Those scandals do happen again, with shocking regularity, and almost always at the expense of people on the lowest incomes.

The major obstacle to change is buried deep in the collective consciousness. A prejudice steers us away from the ultimate source of most of the socially significant crises that afflict Britain today. That source is the system of taxation. But before indicting governments for the reckless way in which they raise the

public's revenue, we need to locate the problem in its historical context.

Tax policy, as it is administered today, is one of the instruments invented by those who committed a terrible crime in the distant past. That crime triggered ripple effects across time and space. The common rights of the people, beginning in England, were abused by the aristocracy and the emerging class of gentry. They enclosed the commons of England. The peasants were dispossessed of their traditional rights of access to land.

Peasant communities were savaged, whole villages demolished, families consigned to the highways as vagabonds. This was the foundation for the class structure which blighted Britain, and little has been changed to alter that fundamental reality, not the Welfare State nor the conventions on human rights. That historic process explains why the victims of the Grenfell Tower inferno, in their interviews on TV, protested in bewilderment that they were being treated as second-class citizens. They are among the present-day victims of an economic reality that was not corrected either by the doctrine of equality or by universal suffrage.

When we penetrate the realities behind the political myths, we discover the ugly truth: ours remains a society constructed on a hierarchy of rights which prejudices the lives of millions of people. That structure will not be altered until we realign rights with responsibilities, especially as these relate to the administration of the public purse.

The restoration of rights

Class society was constructed on an egregious injustice. People's traditional right of access to land, on which the household economy depended, was erased. The evil effects were transmitted through the generations, and they remain with us to this day. But action to correct that injustice does not entail a restoration of land rights back to the customs and practices that existed in medieval times. The practical solution is to recraft the philosophy of taxation. No-one who is willing to work, to save and to invest would be disadvantaged by the ensuing reform.

The key insight, which needs to inform political action today, is this.

After the commons of England were privatised, the financial privileges of the new class of rent-seekers had to be legitimised. The land grabs that were graced with the term "enclosures" had to be enshrined in law. Parliament was made to accommodate this injustice, by enacting a complementary system of taxation. Taxes had to be invented to steer the revenue system away from the authentically efficient and fair system of collecting funds to pay for public services. That source, affirmed by tradition, was the rent of land. But if rents were to be channelled into private pockets, alternative fiscal instruments had to be invented which would fall on the wages and proceeds of people's enterprises.

- ▶ The people of England, Wales and Ireland, followed by the people of Scotland, were systematically gutted of their rents.
- ▶ The reciprocal action followed: Parliament systematically imposed arbitrary taxes on people's wages and the profits of their enterprises.

The economic costs of this process are discussed in Chapter 2. Converting the losses into gains through tax reform would deliver a bonanza in productivity of the order of £500bn. *That implies about £175bn extra to be spent on public services, and £325bn to be shared between wages and profits. Every year!*

But statistics cannot provide an adequate portrait of the human costs of the status quo. The Welfare State was intended as a safety net for the most vulnerable sections of society. It has become a mechanism for abusing low-income families. In 2010, when David Cameron's government introduced financial sanctions against the unemployed, Parliament removed the last vestiges of dignity to which the people on the lowest incomes could cling. As *The Guardian* put it:

'The workhouse aside, there's never been a social security programme that delivered as much pain for so little gain as the 'great sanctions campaign' imposed on unemployed people over the first half of this decade.' (Butler 2017)

That assessment is attributed to David Webster, a research fellow at the University of Glasgow.¹ An account of the human costs of the sanctions against families is provided by the Rev Paul Nicolson in Chapter 1. On a daily basis, he works at the coalface of the human tragedy that blights the reputation of the United Kingdom.

Ultimately, however, responsibility for reforming the tax regime does not lie with parliamentarians. The peoples of the four nations of the British Isles must shoulder the responsibility for the way they are taxed. Their mandate is needed, if politicians are to revise the way the state funds the services required by the people. But authorisation for the change cannot come without an informed national conversation. Parliament has a crucial role to play in framing that conversation. It must provide the information people need, so that they can exercise their collective judgement. Politicians need to engage with their constituents in a debate on what it would take to incorporate civility in the financial system. That informed conversation cannot take place without first understanding the difference between policies that are pure palliatives, and the policies that would recast the status of the public's finances. The difference is between maintaining the status quo, or empowering people to realise their full potential, as measured by both the wealth and the welfare of the United Kingdom.

¹ David Webster's research papers on financial sanctions are available at <http://www.gla.ac.uk/schools/socialpolitical/research/urbanstudies/projects/ukbenefitdisallowanes/>

Palliatives versus holistic reform

Palliative policies are needed to mitigate short-term problems. These include the challenges of being out of work, of growing old, or of falling sick. This was the doctrine that drove the Liberal Government to propose fiscal reform in 1909. In the budget of that year, the welfare needs of the population were to be funded out of the nation's rents. Landlords in the House of Lords subverted the tax reform, but permitted Parliament to enact the laws on welfare.

Since then, Parliament has remained wedded to palliative policies. After World War 2, attempts were made by Labour governments to redesign the land-and-tax system. They failed because Labour's policies were not harmonised with the mechanics of an efficient economy (Blundell 1994). The Welfare State was shoe-horned into a financial system which systematically abused the private and the social rights of the populations of the four nations. The consequences have been disastrous, most painfully in terms of the sacrifice of tens of thousands of people whose lives continue to be terminated prematurely.

Real estate is at the heart of the social malaise. The cycles in house prices inflict periodic recessions which retard growth. Unaffordable housing displaces families from the centres of employment, expanding the geographical dispersal that gives spatial expression to the class structure. And yet, if the experts are to be believed, there is little that we can do about this. We are told, for example, that the restoration of a rent-based revenue system is not practical. Why? Property professionals, apparently, cannot value land separately from buildings. And yet, as the chapters on Australia, Denmark and the US in this volume demonstrate, land is routinely valued separately from buildings for fiscal purposes.

Many myths shroud tax policy. They must be dispelled before the public's finances can be rebased on ethically sound and economically efficient foundations. These myths are responsible for the crisis in political philosophy. Policy paralysis is most evidently on display in Washington, but it is also a feature of UK and European governance. The rise of "populism" is one response to the failures in mainstream politics.

Tax reform is the tool for breaking out of the impasse. In reading the chapter by Edward Dodson, for example, reflect on how the rust belt towns would enjoy an immediate benefit for municipal tax reform - without having to wait for action from President Donald Trump. The graduated transformation of the property tax in favour of raising more revenue from the rent of land would begin to create jobs on the back of the construction of affordable homes. This policy could evolve into a nation-wide reform of taxation, as Ted Gwartney explains, creating a Great America without having to engage in dog-in-a-manger trade practices with other countries.

The gains in social solidarity are not hypothetical. Lasse Anderson's chapter testifies to the role play by public finance in the strengthening of community

bonds in Denmark. And the history of Australia leaves no doubt that the reforms explored in the Portcullis Papers are consistent with the Anglo tradition.

A new Enlightenment?

The idea of a new Enlightenment is within the practical grasp of politics in Scotland. As Ian Kirkwood explains in Chapter 3, the popular will and the financial tools are now at the disposal of Holyrood. The devolution of fiscal power to Edinburgh created the opportunity to replicate the Scottish Enlightenment of the 18th century. The instruments for initiating the renewal of intellectual and moral vitality are in the hands of the people. The reason why we should be optimistic is that the great tax reform movement at the beginning of the 20th century, which led to the People's Budget of 1909, was crystallised into political action with a resolution passed by the council in Glasgow in 1905. They did it then; there is no reason why the people of Scotland cannot do it again, not least because of these facts:

- ▶ Due diligence in support of a restructured revenue system has been undertaken by successful social reformers in the United States, Denmark and Australia.
- ▶ Nobel prize economists have endorsed the reform (including Franco Modigliani, Robert Solow, William Vickrey and James Tobin [Noyes 1991: 225-230]), among others, and most recently Joseph Stiglitz (2013).
- ▶ Professors of economics in America, Scotland and Germany continue to analyse and prescribe the policy as being in the public interest.

Curiously, lawmakers (with a very few honourable exceptions) maintain a studious silence on the subject. What will it take to make them understand that they have the power to lead their peoples to a new Enlightenment on the back of the huge material and cultural gains that would flow from the simple device of fiscal reform?

The peoples of the British Isles have earned the right to live in an authentically humane society. The traumas which they and their ancestors endured over the past three centuries can be redeemed by restoring ancient forms of social solidarity in a modern guise. Quite how impoverished the present “normal” is, compared to what might have been achieved if the peasants of the commons had not been victimised by the enclosures, is difficult to say. But we must try to grapple with that vision. It is that narrative which just might inspire the peoples of the British Isles to engage in the conversation that can authorise the removal of the greatest barrier to people's aspirations.

References

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