



## POST-BREXIT: REBUILDING A UNITED KINGDOM

The European Union's constitution enforces forms of behaviour that inhibit improvements to people's lives. But now that the UK is beyond the EU's remit, little will change for the peoples of the four nations of the British Isles. Before joining the Common Market in the 1970s, the UK employed doctrines, laws and institutions similar effects to those of the EU. Boris Johnson's Conservative government will not now transform those policies. So if the prospects of a qualitative shift in people's lives are low, why support Brexit?

The symbolism of withdrawal from the European project could inspire the four nations into re-negotiating their "unwritten" constitution and opting for a new path. The paradigm that makes such a shift possible does exist. We need to contextualise it in relation to the UK's prospects under current policies.

For the most part, the commentators are predicting a dismal future for the UK, with a long-run loss of output. Their forecasts are based on the simple fact that the UK has withdrawn from a large bloc, and is now on its own (the fifth largest economy in the world!), and has to compete with the giant US, Chinese and EU blocs.

The prognoses are largely correct, but not because of the size of the UK compared to the European free trade zone. Size has nothing to do with it. Consider Taiwan, which is dwarfed by its giant Chinese neighbour. Its GDP *per capita* is three times the size of China's, as measured on a purchasing power parity basis divided by population.

The sad truth is that the EU does not want the UK to prosper on terms that would expose the weaknesses in the European model. We saw the dog-in-the-manger attitude displayed by the way the European Commission fought hard to lock the UK into laws as adjudicated by its Court of Justice. And in the realm of trade, Brussels struggled to incorporate the UK into its notion of a "level playing field". The UK has now secured a trading arrangement which does, indeed, restore sovereignty to its Parliament. But under the doctrines that prevail within the Westminster model of governance, little will change from the practices that were pursued over the past 40 years. Boris Johnson promises to "level up" the economies of the outer regions of the UK, but he will fail for the same reasons that the EU failed to equalise life chances across its member states. The Mediterranean regions will continue to lag behind the Hanseatic states, and no amount of money dispersed as "structural funds" to southern Italy, Greece or the desolated communities of Spain will make a difference to the prospects for the deprived regions of Europe.

### THE NEW GROWTH MODEL

The UK is now free to chart a new course, if it can retrieve the thinking that informed its governments in the early part of the 20th century. Back then, two budgets – in 1910 and 1931 – did attempt to lay new financial foundations. In essence, the plan was to shift the fiscal burden off people who added value to the

nation's wealth, by funding public services out of the unearned revenue that accrued to the owners of rent-yielding assets.

Those initiatives failed because the free riders – economists call them rent seekers – exercised the power to block the legislation. Back then, the rent seekers were numerically in a minority, and ensconced in the House of Lords. Today, however, land owning families are in the vast majority: the home owners of the UK. Their plots of land are modest, but they capture rents from those sites. If they chose to view the UK's prospects from the moral perspective, as well as the economic prospects for their children, they could mandate the revision to the way governments raise revenue.

What would that mean in terms of the UK's chances of prospering outside the EU? Consider, first, the minimal prospects, taking into account the scarring effects of the Covid-19 pandemic.

The UK economy has been made – intentionally – to under-perform its potential for at least three centuries. Under the burden of the fiscal regime imposed by the rent seeking aristocracy, people's earned incomes were arbitrarily taxed in ways that dislocated economic production and the quality of their lives.

The UK Treasury refuses to publish estimates of the deadweight costs of its taxes. My central estimate is *circa* £500 billion lost, every year, in wealth and welfare. This is likely to be an under-estimate. Still, it far eclipses the £150 billion which the Treasury would have to admit to, based on its "excess burden" estimate of £0.30 lost for every £1 it collects.

A strategy of incrementally shifting away from the deadweight taxes would automatically grow the UK economy. All that Parliament need do is adopt the 1931 legislation to raise revenue from rents. The effects, within the British Isles, would be electrifying.

- Socially: communities depleted by the discriminations of the past, and the Covid virus, would rebuild themselves organically.
- Psychologically: the mental health of millions of people would begin to heal as despair was replaced with hope for the future.
- Economically: levelling up would begin as the burden of taxes on the regions were abolished, inspiring an increase in productivity.

All of this, even within the Isolated State model! People's trust in governance would heal as the buoyant budget funded the services that they needed to share in common: more teachers and nurses, repaired infrastructure, and the traumas of the past gradually replaced by a new vitality.

### A GLOBAL POWER?

Britain prospered in the past because of its imperial model of growth. This was a land-and-rent grabbing project, extracting the net incomes of other territories and investing the proceeds within the British Isles.

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Under a post-imperialist model which the UK is now free to create, the four nations could re-engage with the world on new terms.

- Economically: with costs of production lowered by the removal of taxes, UK exports would be welcomed in the global markets
- Culturally: the UK would share its creative assets on friendly terms, powering innovative relationships with other nations
- Diplomatically: in a world facing existential crises, the UK would offer a blueprint to help others to address the threats that loom.

None of this can be achieved under the model of governance that currently prevails in Westminster. But all of it is practical, for many reasons.

- Politically: Parliament merely has to go into its archives and dust off the 1931 Act for the template of new legislation
- Empirically: The fiscal formula is tried, and tested, by countries as diverse as Denmark, Taiwan and Australia
- Existentially: Rent and revenue reform is proportionate to the nature and scale of the looming economic and ecological crises.

Armed with a new vision, the UK would not confine itself to the role of an Isolate State. It could assert itself globally on terms that would be welcomed by all except those states that are administered by autocrats.

#### WHAT OF THE EU?

Brussels would resent a flourishing Taiwan-type growth model off its shores! But under the terms of the trading deal it has signed with the UK, it cannot claim that Westminster was creating unfair advantages for British exporters. Why not?

- Fiscal reform would be on a revenue-neutral basis: the disgrace of austerity, the default strategy of debt-funded governance, would be a thing of the past
- Funding of growth sectors (based on science and IT), would attract foreign investors who were equally free to locate in Paris or Berlin
- The UK government would not subsidise enterprises, which would be required to honour their responsibilities to consumers and communities

The EU could not complain. But it could emulate the UK growth model – and, thereby, place its producers on a “level playing field” with the UK! By its demonstration effect, Britain would reveal itself as a friendly neighbour willing to help others to flourish in the future on mutually beneficial terms. It would do so, however, on the basis of renewing communities within the UK in a way that could not be censured by the European Court of Justice.

- Rural communities: tax-funded subsidies that have hitherto been converted into higher land values would be terminated. Young farmers would no longer be priced out of agriculture by land owners.
- Fishing communities: with greater access to fish stocks under the current withdrawal arrangements, the seafaring industry can expand its fleet to meet the UK’s favourite dish – fish and chips!
- Regional economies: with government budgets funded out of

the UK’s net income, people’s life-chances would be upgraded as people enjoyed equal access to rent-funded public services.

These outcomes, within the UK, would expose the double-speak that is used to preserve injustices within Europe. An example is the EU’s “right to freedom of movement”. This mantra is a cover-up for an ugly reality. Within the southern and eastern regions of Europe, people lack the *right to remain* in their communities. If we follow the money trail, we see that most migrants are driven out of their villages by forces that are animated by tax burdens.

Consider the demographic crisis in Spain. Its regions have received billions of euros from Brussels over the past few decades to fund infrastructure that was supposed to elevate the quality of life in rural communities. The money was wasted on new highways that primarily served to raise the cost of residential land in choice locations, as rich urbanites purchased or built hideaway second homes at the end of the motorways.

Today, over 75% of municipalities in Spain are declining in population as people flee their home communities in search of work in Madrid and Barcelona, or further afield in London and Berlin. Nothing will now change as Spain invests the €140bn it expects to receive from Brussels as Covid crisis funding. Most of that money will ultimately be converted into higher rents and land values, thereby reinforcing rural depopulation.

#### THE TIMETABLE

Fiscal reform is practical politics. An increasing number of people within the UK support changes to property taxation. Nevertheless, based on a hard-headed appraisal of the politics of the past century, I have concluded that the policy needs to be located in a new narrative.

Our world has moved on from the conditions that prevailed in 1910. Reform will only occur if people authorise, by means of a democratic mandate, a shift in the character of governance. The peoples of the four nations now have the opportunity to redefine their future in ways that would not be permitted if the UK had remained the 28th member of the European Union.

But the timetable is tight. The Brexit deal means that the UK will have to re-enter negotiations with Brussels in 2025/26 over the allocation of fishing rights, and the terms of trade involving automobiles.

Worse still, in 2026 house prices across the globe will peak. That will topple economies into a depression that will eclipse the events that followed 2008. The UK could weather that storm if it started to build the resilience that is one of the rewards of the revenue shift off earnings and onto rent. By initiating reforms to property taxes in 2024, and to entrepreneurial profits in 2025, people would automatically begin to construct defences against the events that will erupt at the end of the decade.

In the process, the UK would be renegotiating its constitution, but this time on the basis of a financial agenda that equalised the prospects of everyone across the British Isles. That prospect is now the choice for the people of the four nations. 🇬🇧