



LABOUR LAND CAMPAIGN PRESS RELEASE – 12 MARCH 2020

## When will we get a Chancellor who understands economics?

*"I'm also launching today a fundamental review ... into the long-term future of business rates."*

Rishi Sunak, Chancellor of the Exchequer, Budget speech 2020.

In recent weeks, there was speculation that the Chancellor would grasp the mettle and take this opportunity to repair the dysfunctional Business Rates system with a fairer, more economically efficient Land Value Tax (LVT). In the end, he kicked the ball into the long grass with another review. The only concrete measures announced are tax reliefs on low-value premises as well as on some special cases that have been particularly hard-hit in recent times (cinemas, music venues and pubs).

Although such measures sound plausible, they always soon fail because they ignore economic reality. When an entrepreneur is deciding whether or not to set up a business at a particular location, he or she will take into account both the rent and the expected Business Rates bill, the latter being of the order of 50% of the former. If this sum looks good, they go ahead and if it doesn't, they don't. The overall amount the tenant is prepared to pay is determined by market forces and, if they have to pay less tax, the landlord can and will demand a higher rent. (And the same is true of purchase price if the premises are being bought rather than rented.) The net result is that tenants and purchasers pay the same but Treasury revenues go down and landowners get even richer.

A system in which the tax due is based on the value of the land alone and levied on the landowner avoids these pitfalls. The entrepreneur's calculation is the same and the rent or price that the landowner can demand is still determined by the same market forces.

In addition to shifting the burden of taxation onto the shoulders of those who can most afford it, a judiciously implemented LVT would have corollary benefits: unlike the current system, it would not penalise the betterment of business premises, e.g. to enhance productivity or improve working conditions; it would bring into commission the idle and underexploited sites which blight our townscapes; and it would encourage development in places where land values are low, bringing economic activity and jobs to where they are most needed.

Anthony Molloy, Chair of the Labour Land Campaign, says "The sticking plaster measures announced yesterday will do nothing to repair the deeply broken Business Rates system but if you people your Treasury team from the world of finance, expect short-term benefit and long-term ill. We might hope that the promised review will arrive at the same conclusion as virtually all economists from Adam Smith to Milton Friedman, that *'the least bad tax is the property tax on the unimproved value of land'*. But with a party in power whose core constituency is the landowning lobby, perhaps economic reality will prove too unpalatable." ENDS

***The Labour Land Campaign is a voluntary organisation working for land reform.  
It advocates a fairer distribution of land wealth through a Land Value Tax.***

For more information see [www.labourland.org](http://www.labourland.org)

URL for posting on Twitter:

<http://www.labourland.org/press-releases-and-archiv>

**Contact details**

Press Officer: Anthony Molloy

Email: [anthony1molloy@gmail.com](mailto:anthony1molloy@gmail.com)

Telephone: +44 (0)7704 116 238