

# Why taxing land wealth makes sense

Anthony Molloy, chair of the Labour Land Campaign

## A bit of history:

*“increasing land values ... go to people who have not earned them”*

Labour Representation Committee manifesto, December 1905

Of the 15 policies specified in the manifesto circulated to LRC candidates in the 1906 general election, the only one on fiscal matters was number 11: “Taxation of Land Values”. Land value taxation (LVT) was the central plank of early Labour Party economic policy and, once the party got into power in 1929, it passed the 1931 Finance Act which decreed the introduction of LVT on the 1st April 1934. When that administration fell, the new Tory-dependent national government immediately scrapped the land valuation process and the idea of LVT disappeared from the Labour Party agenda until the 2017 manifesto.

Why does LVT frighten the horses? Why the hysterical “garden tax” response to Labour’s mild promise last year to undertake *“a review into reforming council tax and business rates, and consider new options such as a land value tax”*. Is it because it’s an irresponsible, utopian socialist dream that would spell economic disaster?

## A bit of economics:

A great deal of economics goes on at the ‘margin’. For any given economic activity, some circumstances will be better than others, notably some locations, e.g. a busker is likely to make more money at Leicester Square tube station than up a mountain in Scotland, irrespective of how well they both sing.

On Swindon High Street, a busker will earn just enough to make busking worthwhile: this is what economists call the margin. If you tax this marginal busker, he’ll have to call it a day. If, rather than a guitar, his capital were a widget factory and you raised VAT on widgets, their sales would go down, production would no longer be viable, the factory would shut and all the workers would be laid off. Taxes on economically productive activity - work, production, trade, enterprise, investment - shrink the economy.

In contrast, taxing wealth spares the marginal producer and keeps the economy whole. The Leicester Square busker is quids in because she has wealth in the form of some kind of monopoly claim on a good pitch. Tax her for this privilege, but leave our Swindon busker in peace to provide tunes for his fellow citizens and put food on his own table.

## A bit of sense

LVT is a wealth tax. It does not reach all wealth but it is fair (the rich will pay more), very easy to collect (you know where to collect it), impossible to dodge (you can’t

put your Mayfair flat in the Cayman Islands) and it will actually cover a large proportion of UK wealth. Of total UK wealth of about £10 trillion, UK housing stock is now worth more than £7 trillion, well over half of which will be land value (as opposed to bricks and mortar).

Because land and property ownership is so highly concentrated in the UK - 70% of the country is owned by just 0.6 per cent of the population - simple arithmetic shows that it should not be too difficult to formulate how to replace any of our current, economically pernicious taxes with LVT in a revenue-neutral way that would make the vast majority of citizens - and perhaps more pertinently voters - better off.

So if LVT - above and beyond being fair, easy to collect and impossible to dodge - also makes economic sense, why have we never had it? The only horses who need to be genuinely frightened by LVT are the tiny minority of citizens who own so much of our green and pleasant land. But this is a vested interest that wields disproportionate power, especially in the Conservative Party whose eternal claim is to economic responsibility.

Remember that the last property-owning restrictions on sitting in Parliament and voting in elections were not lifted until 1918 for men and 1928 for women: the British fiscal system was drawn up and enforced by landowners.

The epitome of *For The Few, Not The Many*.

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

If your organisation (CLP, trades council, etc.) would like a presentation on LVT, contact the Labour Land Campaign: [carol.wilcox@labourland.org](mailto:carol.wilcox@labourland.org)