Don’t penalise public sector workers, reform our corrupt tax system

Rishi Sunak has no need to make public sector workers pay for the pandemic by freezing their pay. Surely in such desperate times, a dyed-in-the-wool neoliberal who believes in “rewarding hard work” and is looking for cash would be focusing on the vast, largely-untapped resource of unearned income rather than punishing those whose labour provides the cornerstones of civilised society such as education, health care, social care, defence, law and order, transportation infrastructure, public transport, etc.

The Labour Land Campaign (LLC) calls for an annual Land Value Tax (LVT) to shift taxation off earned incomes and onto the unearned incomes that owners of land and other natural resources enjoy.

LLC Chair Heather Wetzel says, “To penalise public sector workers again by freezing their pay while allowing land wealth – which they help generate – to continue to be sucked out of our economy by the richest of the rich with zero effort on their part is not only unjust but also economically counter-productive”. According to the Office of National Statistics, land value now accounts for over half of UK net wealth (the rest being buildings on the land, bank deposits, pension pots, stocks and shares, …) and this proportion rises every time taxpayers shell out to build a new hospital or school, maintain a motorway, pay a policeman or develop a vaccine. “Land wealth is only generated from our combined demand for its use for homes, businesses, food production or public services. An enormous amount of land with planning permission is deliberately left idle for speculative purposes to create an artificial shortage and push up prices.”

Rishi Sunak’s favourite think tank, the Institute of Economic Affairs, has recognised that taxes on work and trade are distortive and that shifting some of the burden onto unearned income makes economic sense. Less important in their world view may be that it would result in land wealth being used to benefit the community that creates it with more jobs, higher wages and affordable homes.

The fact that land and, more importantly, the wealth that accrues from its ownership can be appropriated by a tiny minority of citizens (and increasingly non-citizens) is deeply ingrained in our polity. But perhaps trying to make workers pay for the current crisis will shine a light on the patent injustice and economic inefficiency of our taxation system.

Heather went on to say “Rishi Sunak needs to seriously think about how the economy works and how landowners harvest the wealth we all create. Rather than punishing workers, he should be ensuring that the wealthiest contribute their fair share and that the nation’s most precious resource – its land – is exploited justly and more efficiently.”ENDS