Time to be brave, Chancellor

The Chancellor has a chance to be brave and simultaneously tackle some of our most intractable economic, social and environmental problems with a profound shift in what is taxed. Instead of carrying on with taxes that distort the economy, Sunak could start implementing a system that encourages efficient use of natural resources at the same time as it provides a sustainable source of income for maintaining and developing public services. This means collecting some of the rent that accrues from the nation’s natural resources, most notably its land.

The Labour Land Campaign (LLC) campaigns for the replacement of pernicious taxes on economically productive activities (work, trade, enterprise) with an economically neutral annual Land Value Tax (LVT). To understand why we have carefully constructed a taxation system that is not only unfair but also economically inefficient requires recognition that, since feudal times, those who constructed our fiscal system have wilfully ignored the inconvenient economic law of rent. (Inconvenient to landowners, that is, i.e. those who constructed our fiscal system). There are three factors of production: labour, capital and land. The return to labour is wages; to capital it is profits and interest; and to land (together with all other natural resources), it is “economic rent”, namely any excess income left after the costs of labour and capital have been recouped. In other words, money that has not been earned through work or enterprise.

LLC Chair Heather Wetzel explains “Since taxes were shifted off land wealth and on to incomes, production and trade, the owners of land and other natural resources have enjoyed all the economic benefits of a free gift of nature. Because land is fixed in its supply, its value tends to rise more or less inexorably while those who own it can choose to use it or not. The result is that homes lie empty because they are bought by speculators; development sites are kept idle which starves would-be entrepreneurs of affordable business premises; and our environment is damaged by over-consumption, pollution and inefficient natural resource use. We urgently need to change what is taxed to shift our economy to one that benefits everyone rather than one that is geared to the interests of a tiny minority and destroys the environment.”

The LLC argues that a good start would be to replace Business Rates with an annual LVT levied on all land on which Council Tax is not currently paid. Heather Wetzel goes on “Business Rates are avoided by many owners which makes premises more expensive for those wanting to start up a business or expand an existing one. Idle development sites blight our towns and cities and deny people access to new homes and jobs. If the Chancellor had the courage to replace Business Rates with an annual Land Value Tax, rents would fall and new businesses could flourish with the skills and talents of local people”. 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.

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