Serious about growth?

Last week's budget was a mixed bag for the *hoi polloi*. Of the big-ticket items, two were good for many people (increased support for childcare and devolution of power to local authorities), one was very good for a few (abolition of the pension tax relief cap), and one has been shown to have little of the trumpeted benefit whenever it has been tried in the past (investment zones).

Despite the rhetoric (we learned the sign language for one word although at the risk of the very animated signer sustaining repetitive stress injury), what it wasn't was a "Budget for Growth". Resisting pressure from some die-hards in his party, Jeremy Hunt appears to have passed on the traditional neoliberal mantra about taxes shrinking the economy. Nevertheless, this is true of all of our main current taxes, e.g. raising taxes on work (Income Tax) or trade (Value Added Tax) makes goods and services more expensive so people buy less of them, companies go out of business and the economy shrinks. This is what Liz Truss was getting at last year, albeit in a spectacularly cack-handed manner.

But it's not true of taxes we don't have: taxes on wealth.

If economically sterile, unproductive wealth were harvested by the Treasury and mobilised into the real economy by government spending, it could be used to address the country's abysmal productivity problem and enhance our international competitiveness by providing much-needed infrastructure, promoting education, funding research and improving public services (and if you don't trust the government to spend wisely, you could just replace the above-mentioned taxes that in and of themselves inhibit growth).

On a shorter time-scale, history shows that judicious wealth taxation drives growth through a different mechanism: if fiscal policy makes "investing" in making-money-from-money "industries" such as finance and real estate less lucrative, said investment is redirected into the real economy which produces useful things that people want to pay for, i.e. real growth.

According to Carol Wilcox, Secretary of the Labour Land Campaign, "*One of the few things that economists from across the political spectrum agree on is that taxing wealth rather than work, trade or enterprise makes sense*". Figures (2021) from the Office of National Statistics show that land value now accounts for over 60% of UK net worth. While a tax on land value would miss 40% of wealth, it's not a bad start and it has the advantage of being fair (rich people tend to own more land than poor people), easy to administer (modern techniques make the valuation of land quick and reliable) and difficult to dodge (you can't hide land and if the tax isn't paid, you know where to find it). Taxing land would also help optimise use of our most precious asset and thereby afford a specific driver of growth above and beyond the general advantages of taxing wealth rather than economic activity.

Of course, no Conservative Chancellor is ever going to tax wealth or land because the wealthy are the party's core constituency and at the very heart of that constituency are big landowners, quite a few of whom can be found on their benches in Parliament.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

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