



LABOUR LAND CAMPAIGN PRESS RELEASE – 4 JANUARY 2023

Ignorance or hypocrisy?

To those who find it aberrant that nearly three pounds in every five collected by His Majesty's Treasury is obtained by taxing economically productive activities - work (Income Tax, National Insurance) and trade (Value Added Tax) - the gratitude expressed by His Majesty himself towards "all those working in public service, whose skill and commitment are at the heart of our communities" rings a bit hollow. Detail on the Royal Family's beneficial ownership of land and other income-generating assets is as convoluted as their tax affairs but both King Charles III and his son, the Prince of Wales, are indisputably right up there among the biggest and wealthiest landowners in the country. Land wealth is not taxed to fund public services and the reason why this year's Christmas message sounded tone-deaf at best and hypocritical at worst is two-fold.

Firstly, taxes on economically productive activity shrink the economy. If you raise any tax on production, the price of goods and services goes up, people buy less of them and businesses shut up shop: people lose their jobs and the economy shrinks. This is what King Charles' first Prime Minister was getting at although neither her strategy to solve the problem - nor she herself - really worked out. On the other hand, taxes on wealth do not have this pernicious effect and one of the few things that economists from across the political spectrum agree on is that this form of taxation is the best way (or the least bad way, according to Milton Friedman) of funding whatever-sized state they advocate. If you are of a more progressive mindset, taxing wealth also has the corollary effect of levelling society up.

Secondly, land (or as the Office of National Statistics confusingly has it, "non-produced non-financial assets") accounts for nearly sixty per cent of UK net wealth. Other forms of wealth (essentially buildings on the land, pensions pots, bank deposits and stocks) are more difficult to tax for diverse reasons but land is easy to value (many administrations do it regularly), difficult to hide (you can't put your Mayfair mansion in the Cayman Islands) and tends to be owned by people who can not only afford to pay but who also benefit the most from public sector investment (land values rise when a new school is built or another policeman is put on the beat).

If you agree with the King that "at this time of great anxiety and hardship", functional public services are more important than ever; if you agree with Milton Friedman that taxing wealth is a better idea than shrinking the economy; and if you agree with Michael Gove that levelling up is a "moral, social and economic programme"; then you may agree with Peter Reilly, Chair of the Labour Land Campaign that, "while a land value tax will miss forty per cent of UK net wealth, sixty per cent is a good start".

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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Contact details

Press Officer: Anthony Molloy

Email: anthony1molloy@gmail.com

Telephone: +44 (0)7704 116 238