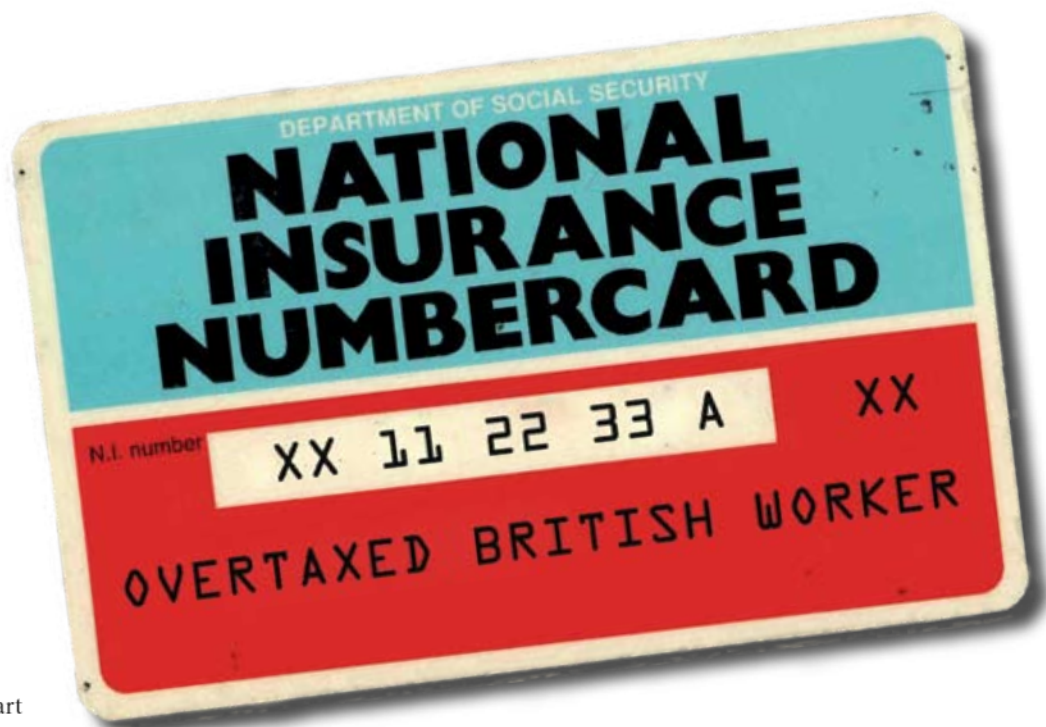


# Legrain's plea for LVT



As UK election campaigning got underway, the Tories, the business community and much of the press reacted with horror to Labour's proposals to raise National Insurance. For their part the Labour government pointed out that the Conservatives would have to raise VAT to pay for their proposed reversal of the NI rise. What few commentators seemed prepared to point out was the logical inference of both arguments—if increases in NI and VAT are such a bad idea then obviously the taxes themselves are too.

Philippe Legrain, visiting fellow at the London School of Economics' European Institute and ex-chief economist at the pro-European pressure group, Britain in Europe, was one of the few to notice. Writing in *Prospect* magazine, *The Financial Times* and *The Guardian*, he suggested other ways of raising the extra revenue needed to plug the terrifying £167bn hole in Britain's budget. His suggestions included increasing taxes on carbon emissions and introducing reforms to encourage people to retire later. But the bulk of his argument was dedicated to a plea to all parties to introduce a tax on land values.

"Whereas taxing work is wasteful—less is produced and no tax is raised on the lost output—land is in fixed supply so a tax on it is less harmful (and impossible to avoid)," he wrote in the FT article. "Shifting the tax burden from labour to land would therefore boost economic growth, according to an OECD study."

And Legrain, whose new book, *Aftershock: Reshaping the World Economy After the Crisis*, is out on May 6, was quick to point out the

other benefits too.

"Taxing land values could also limit property bubbles, which divert funds from productive investment in booms and then cause terrible busts—without discouraging development (unlike property taxes), mobility (unlike stamp duty) or investment (unlike interest rate rises)," he said, before concluding: "Replenishing Britain's public finances will involve painful choices. But it is also a chance to make tax fairer and less harmful to growth. Wise politicians should seize it."

In the *Prospect* article, Legrain, who is better known in the media as an advocate of wider migration, outlines why LVT would be a much fairer form of taxation.

"Whatever you think of the merits of capitalism, there is nothing intrinsically desirable about the initial distribution of property rights in an economy. In most countries history means the distribution of land is highly unequal," he says. "Land in Britain is more unequally distributed than in Brazil: there 1% of the population owns 49% of the land; here 0.3% per cent owns 69%."

"Britain's biggest landowner, the Duke of Buccleuch and Queensberry, owns 277,000 acres because he descends from a man who seized vast swathes of Scotland. Far from being taxed, he is rewarded with huge handouts from the Common Agricultural Policy."

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