

Why Land Value Tax and University Basic Income Need each other

By Martin Farley / 20 April, 2016

[Land Value Tax](#) can generate the funds needed to introduce a [Basic Income](#), while a Basic Income makes the clearest case for taxing land values.

There are many people and groups now lobbying for the introduction of a Basic Income (Also referred to as an Universal Basic Income, Unconditional Basic Income, Citizen's Income, Citizen's Dividend, Negative Income Tax) as a means of reducing poverty, increasing the welfare of the lowest paid, boosting the incomes of workers, improving labour market flexibility, coping with a more fluid economy, reducing bureaucracy, improving equality, rewarding carers, assisting adult education and re-training and supporting those people who cannot take full advantage of the economic opportunities that the modern economy offers.

However, very few of them set out the means by which the Basic Income will be funded. Some call for higher personal taxes or even money printing, while a few have come up with costed plans (see the excellent work done by the [Citizens Income Trust](#) and the [RSA](#)) that tend to propose a combination of transferring current welfare spending, along with the elimination of existing tax thresholds and credits that working people enjoy. This potentially helps generate the funds, but justifying the expenditure in relation to current arrangements hardly makes the case for the new payment, and leaves it dependent on a huge range of potential taxation variables.

Proponents of a Land Value Tax (like the [Land Value Tax Campaign](#)) often make the case for it in terms of benefits for the wider economy, plus the ability to use the revenues to reduce the taxes levied on the productive economy. But in making those cases, the advantages to the individual (especially the individual homeowner) are not always obvious.

Why Basic Income needs LVT

- It is the most secure way to provide funding for a Basic Income
- It doesn't distort economic decision making so will allow Basic Income to be part of a growing, functioning economy
- If Basic Income increases incomes of recipients, there is a danger that those increases will be captured by rent-seeking landlords and others (i.e. rents or interest rates will just go up till they have absorbed all the extra money). If this happens, LVT will allow society to recoup most/all of the revenue captured by rent-seekers and push it back to Basic Income recipients.

The key to providing a secure and justifiable revenue to fund a Basic Income is a Land Value Tax, along with licences from Common resources such as minerals,

airspace, spectrum bandwidth, sea resources, public risk underwriting and government licences (which for the purposes of this Deal, we will collectively refer to as 'Land Value Tax', although they might more accurately be described as 'Public Resources Value Tax').

This would not only provide sufficient funds for a Basic Income to all adults at a reasonable level — £4.5k per year for those ages 21+, £7.2k for those over 65, £2.7k for 16–21 year olds — but also bring an end to private profiteering from public or common resources.

[The Transformation Deal](#) currently provides enough revenue from [LVT](#) and [Commons Licences](#) to fund the proposed Basic Income for all adults. The remaining payments to Children and benefits recipients will be met by other areas of taxation, however, it would be desirable for these also to be met by LVT and related charges on rent extraction.

This funding is more reliable than general taxation as it is based on resources that are unlikely to disappear. The land and these other resources might reduce in value but that would suggest a wider fall in economic activity and a fall in Basic Income would reflect that. However, with an increase in the value of our collective resources would see an automatic increase in the level of Basic Income paid out.

A common criticism made of the Basic Income model is that an increase in the income of the average person will simply result in higher rental costs in the economy, which would absorb part or all of any Basic Income payment. If that were to happen, LVT would capture part or all of the increase in rent. The degree to which the increased rent was captured would depend on the level at which LVT is set, but in principle this would provide a simple mechanism to ensure that the population as a whole was benefitting from increasing wealth, rather than just those who have the means to extract rent payments.

Why LVT needs Basic Income

- Simplest and most transparent way to share the rents that LVT collects on behalf of citizens
- Politically will make it more sustainable — LVT will be very unpopular among many property/land owners (63% of UK households) but political will can be maintained by those who receive the revenues from LVT (100% of households). LVT revenues will not go to government; they will go directly to ordinary people
- It establishes very clearly the reason for charging LVT: to share national wealth with all citizens.

Let's be under no illusions, home ownership and ever-increasing house/land prices are the sacred cows of UK politics and the Transformation Deal will be presented by opponents as a major threat to both. If you have based your entire life-time financial plan on buying a home and watching it rise in value, as millions of people have, why on earth would you support a Land Value Tax which will

almost certainly reduce the market price of your home, or at the very least prevent the kind of price rises we have seen in the last 50 years?

The answer is simple: **because it will make you financially better off.**

Under the terms of the Transformation Deal, the entire revenue from [LVT/Commons Licences](#) will be paid to citizens as the [Basic Income](#).

As a result, the average owner-occupier household in the UK will pay a Land Value Tax of £5,600. In return the average household will receive just over £12,000 in Basic Income plus other cash benefits (even if you ignore these other benefits, the average Basic Income payment *per household* will be over £10,000).

This means that using the structure outlined here, the average owner-occupier household will be between **£4,400 and £6,400 a year better off** once both LVT and Basic Income have been taken into account. Households who rent will potentially do even better as they will not be liable to pay LVT, but will still receive their Basic Income payment.

It also makes it easier to increase LVT in the event of higher rent extraction as owner occupiers will receive a disproportionate increase in their Basic Income payment compared with their higher LVT payment.

The losers here will be landlords and non-citizen/non-resident landowners who are paying LVT, but not receiving the basic income in return. However, their return is the rents they are receiving from their land and/or use of common resources, or in the case of non-citizens, the ability to own property here.

Perhaps the most important political support that LVT brings to the Basic Income argument is that rather than Basic Income being a 'benefit' paid out to people by a benevolent government, it is in fact each citizen's share of the nation's natural wealth. To provide a citizen with anything less would be to rob him/her of her rightful inheritance.

Why they are mutually supporting

- One raises the revenue, one distributes it once collected
- One makes demands on land/home owners, the other provides support
- UBI improves incomes of ordinary people, LVT makes sure it isn't swallowed up by landowners and other rent-seekers
- Each requires the other to be fiscally, socially and politically sustainable