

A GEOPOLITICAL PLAN FOR ECONOMIC RECOVERY

Any plan for recovery after Covid must be based on the fact that the UK economy was in a mess before Covid and that recovery will not occur if the policies which were responsible for causing the mess are retained.

The national budget was in deficit and the national debt was growing. Inequality was increasing, with the rich becoming richer and the poor becoming poorer and they, through poverty, suffered more from Covid because they were less healthy before being infected. Although more people were employed many of them were poorly paid and had no job security. Most young people had no chance of owning a house and many were unable to afford rented accommodation. Funding of education for the young and of care for the elderly was inadequate. The National Health Service was also underfunded.

All these failings can be traced to the outdated, overcomplicated and disincentive tax system which has a long history of failure. Continuing with the same and expecting economic recovery is madness. Most politicians and economists refuse to acknowledge that income tax (including National Insurance Contributions) and tax on trade and services (VAT) have large inhibitory effects on employment and trade and fail to see that there is a better way to obtain the funds for the necessary functions of government.

Adam Smith said that the annual rental value of the land is the most suitable source of revenue because it has no inhibitory effect on employment and trade. On the contrary, it stimulates economic activity by allowing the inhibitory taxes to be abolished. Those who claim that the total annual rental value of the land and other natural resources (AGR/LVT) is insufficient to replace existing taxes are wrong. All taxes are at the expense of rent (AGR/LVT). For example, when businesses in enterprise zones were exempted from non-domestic rates the owners of the properties increased their rents.

It is important that the creation of wealth is not inhibited by high rates of taxes when economic recovery is our aim. When the rate of existing taxes on earned incomes reaches about 40%, the amount collected starts to fall because of their inhibitory effects. When the rate of AGR/LVT, which is unearned income to those of us who own landed property, exceeds 40% the amount collected does not fall because the use of land is optimised and employment and trade are stimulated by the removal of harmful taxes.

There is a realistic chance of achieving a budget surplus and paying off the national debt. [▶](#)