

message from the honorary president

In the Government's recently published "Taylor Review of Modern Working Practices: Good Work", issues surrounding the taxing of labour are considered. The problem, according to Taylor, lies in different amounts of tax that people pay depending upon how they are employed, either as employees, self-employed, company owner-managers, or in the "gig" or "black economy". He suggests that all labour income should be taxed similarly, regardless of how it is acquired, and that "this would be economically more efficient and fairer, as well as ensuring that tax receipts are sustainable." His conclusion is that since pay as you earn (PAYE) seems to work well for most workers (employees), something similar should be possible for the rest. In advising the Government of Mrs May, who commissioned the review, he says that whilst such a move would not be easy or uncontroversial, he "would encourage the Government to raise public awareness of the issue and engage in debate with stakeholders about potential long term solutions". A contribution to the debate that those familiar with the land value based fiscal reforms that Henry George advocated might run as follows.

We can show how taxing labour and the products of labour are inherently unjust, inefficient, and ineffective. They discourage wealth-creation, positive economic activity and employment, involve theft, encourage dishonesty and environmental abuse, and are unnecessary. In short, they prevent people and the nation from realising their potential. They reduce the earnings of those who live by their labour and increase the price of all the goods and services they buy. None of these consequences follow where the rental value of land or location is collected as public revenue for the benefit of all, rather than becoming a source of unearned income for some.

This is because the viable rental value of a marginal site where someone employs their labour to produce something for sale cannot be more than their net revenue. This net revenue will equal the market price of their product multiplied by the volume of their sales, less that marginal producer's costs of production, i.e. the earnings of all the labour and capital employed plus an acceptable margin. The rental value of every other productive site will be the excess net revenue that the employment of a like amount of labour and capital could produce there. Collecting that rental value cannot therefore affect either the price of goods or services produced or the earnings or costs of the labour and capital responsible for that production.

In contrast a tax on labour (however they are employed) must increase the cost of labour to every employer that must be passed on in an increase in the selling price of their products. This in turn must increase the cost of living for all workers and further increase the costs of employing all labour. In the UK this vicious spiral, together with other taxes on the products of labour (VAT and excise duties), increases the costs of employing labour to more than twice the value of the goods and services those who live by their labour can procure with their earnings. Check it out and pass it on!

David Triggs
Honorary President
Henry George Foundation

henrygeorgefoundation@
gmail.com

