

[Gordon's great deception](#) [1]

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Gordon Brown has decided to make his National Insurance rise, "a tax on ordinary families" in his own words, one of his hundreds of stealth tax rises, the defining dividing line of the election. After Mandelson finally nailed the coffin of Labour's relationship with business last week, this final "come back" attempt has left Gordon and Labour in full view, caught on the wrong side of the line.

Gordon's election argument is that we should not risk the recovery. George Osborne's and the Conservative Party's tax cut will directly benefit seven out of ten families and indirectly helps us all, but Gordon notes that it will lower government revenue by around £6 billion, and thus he argues, take money out of the economy.

Fundamentally, Gordon must answer how the tax cut would take money out of the economy. Unless his vision of the economy is severely impaired, so that it includes only the actions of government and not the people (I wouldn't put it beyond him), his argument is a manifestly illogical and economically illiterate.

If Gordon were re-elected, and came knocking at your door, and the door of your employer, to collect his national insurance tax, he would take money out of your pocket and that of your employer. He would thus take money out of the economy.

Now it is true that the government would then spend this money. They might channel the funds (that he seized from you and your employer) through layers of bureaucracy (wasting it inefficiently along the way), and then "invest" in a big government scheme that is probably not needed, makes the problem worse and creates new problems, is over budget beyond belief, and infringes on your fundamental freedoms. Gordon will have employed people, may have developed some capital, and hence would have undertaken some economic activity.

However, Gordon's economic activity comes at a steep price. Remember that Gordon has to take money from you and your employer. Any of Gordon's economic activity comes at the expense of that which you and your employer would have spent that money on instead. It is an unseen opportunity cost, the loss is that which might have been. Had the tax not been collected, you and your employer would have had more money to save and spend. These actions would have led to economic activity too.

Gordon can only sustain his argument by claiming that he will spend your money better than you can. So, either he has no understanding of the economy or he is showing his true Socialist stripes. The latter case is no more promising. Whilst Gordon's tax rises may be stimulating his own activity, the net result is destruction.

It is not just that Gordon Brown is wrong to say that tax cut will take money out of the economy, he is also

wrong to think the tax could stimulate the economy. Taxes disincentivise economic activities, drive the productive and mobile away, and take money out of the productive sector of the economy. The only way to deal with the economic mess Gordon has got us into, of stagnant growth and astronomical debt, is to stop over spending and go for growth with tax cuts that will stimulate wealth creation, boost our economic competitiveness and support job creation. Gordon's stance confirms the death of New Labour.

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