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**PRESS RELEASE PRESS RELEASE PRESS RELEASE**

**Leading Economists Spell out the Policies for Future UK Success. Politeia's new book suggests how Britain's economic decline can be reversed.**

The economy has dominated politics before and since the election. What policies will reverse the UK's decline and restore fiscal good sense? Should taxes rise, or will public spending cuts resolve the problem? If the emphasis is on cuts, where should they begin and how big should they be?

Britain is in crisis today because two fundamental problems were ignored by the UK government - the competitive reality of the global economy, and the rising costs of social provision.

Politeia's economists saw the crisis coming. While the last government persisted in its fatal course of raising tax and public spending, the economists in this volume were already warning that it was the wrong course. They called for high levels of taxation and public spending to be curbed; and for structural changes so that the UK could move forward in the tough global environment. In Politeia's new book, *Poverty or Prosperity*, they set out the principles for a long-term recovery and the changes needed if the rising costs of our society are to be met.

- **Raising taxes is not an option in today's global economy.**

Already people whose efforts are vital for our economy are voting with their feet and moving to countries with lower taxes and higher returns. Governments face dwindling tax revenues. Raising tax would lead to less rather than more revenue. Politicians who flirt with the prospect of raising tax do so at their economic (and political) peril.

*Tax should be simple, clear and bring value for money. Taxing effort or earnings is damaging.* No tax should be a bar to economic growth. Britain needs low tax on incomes and a shift to consumption with exemptions for the less well off. Future tax rises should be confined to bad things, like pollution, and offset by removing tax on 'good things' like effort.

- **Public spending must be cut and new ways found to meet social demands**

*New structures are needed to provide the public services expected by western societies* - and to meet the costs of an ageing society, for growing demands for healthcare and more volatile employment patterns.

*In healthcare, education and pensions* government should confine its role to regulating and encouraging markets to provide. The state should set the rules and focus on supporting those unable to secure these services themselves.

*In a reformed benefit system*, Personal Accounts should provide the incentives that are now lacking. With individually owned welfare accounts, people would have their own funds and the incentive not to waste them.

*Individual Savings Accounts* should replace the system of unemployment benefits, with individual ownership serving as an incentive to find and keep a job, and the funds used as owners wish. Estimates from France, Germany and Italy show Individual Accounts would cut unemployment by 50 %, 36% and 34 % respectively.

Politeia's Director, Dr Sheila Lawlor, says: A UK Government will want to set out clear, coherent policies founded on well-defined principles. Politeia's new book—with contributions from Irwin Stelzer, Vito Tanzi, Peter Sorenson, Dennis Snower and Deepak Lal – suggests how this country might change direction and flourish in the coming decade.

*Poverty or Prosperity* by V.Tanzi, I. Stelzer, P. Birch Sørensen, D. Snower, D. Lal, A. Brown, A. L. Bovenberg, Edited by Sheila Lawlor, is published by Politeia and Imprint Academic on 23 March 2010, priced £8-95 Hard copies or an e-version are available to journalists on request from [press@politeia.co.uk](mailto:press@politeia.co.uk)

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