So what now?
Policy, politics and the very rich

Carys Roberts
November 2019
The very rich have already featured in this election debate…

“I don’t think anyone in this country should be a billionaire”

“Why on earth shouldn’t people be able to be billionaires?”

Labour MP @Lloyd_RM tells @EmmaBarnett how he would like the country to look under a Labour government.

Read more bbc.in/2NnySK4
The people vs the very rich speaks to a widely held belief that the economy doesn’t work for ordinary people (1/2)

**Figure 3.1: The majority of the population thinks the economy works for the wealthy, and doesn’t work for the poor**

*How well do you think the economy works for...?*[^6]

- People born into wealthy families
- People in the South of England
- Homeowners
- 'People like me'
- Old people
- People outside the South of England
- Young people
- Non-homeowners
- People born into poor families

% who think it works badly | % who think it works well
---|---

*Source: IPPR analysis of Sky Data poll*
The people vs the very rich speaks to a widely held belief that the economy doesn’t work for ordinary people (2/2)

Figure 3.3: Groups most likely to report that the economy does not work well for ‘people like me’ are Labour voters, women, and those without a degree

Do you think the economy works well or badly for ‘people like me’?

Source: IPPR analysis of Sky Data poll
Prosperity and Justice: In 2016, leading figures joined the IPPR Commission on Economic Justice to rethink the UK economy.

“The Commission was founded in the belief that it was insufficient simply to argue that economic change was necessary. The country needed to see how it could be achieved.”
Between 2016 and 2018, the IPPR Commission on Economic Justice published 18 discussion papers and an interim and final report.
Key messages of *Prosperity & Justice: A Plan for the New Economy*

- **The UK economy is not working.** Average earnings have stagnated for more than a decade even while economic growth has occurred. As more and more people feel economically disenfranchised, the political consequences are being felt across society.

- **The economy needs fundamental reform.** Fundamental reform has happened twice before in the last century following periods of crisis – with the Attlee government’s Keynesian reforms in the 1940s and the Thatcher government’s free market reforms in the 1980s. Ten years after the financial crash, change of this magnitude is needed again.

- **A fairer economy is a stronger economy.** A more equal economy generates stronger and more stable growth, lower social costs and greater wellbeing. Both economics and morality argue for an economy which achieves prosperity and justice together.

- **Economic justice needs to be ’hard-wired’ into the way the economy works.** It is not sufficient to seek to redress injustices and inequalities simply by redistribution through the tax and benefit system. They need to be tackled at source, in the structures of the economy in which they arise. These include the labour market and wage bargaining, the ownership of capital and wealth, the governance of firms, the operation of the financial system and the rules that govern markets.

- **Achieving change means redressing imbalances of economic power:** from corporate management towards workers and trade unions, from dominant companies towards innovators and entrepreneurs, from short-term finance towards long-term investors, from Whitehall towards the nations and regions of the UK.

- **Change is possible, and urgent.** Many other countries have economies that are both fairer and more successful than ours.
Recommendations to end concentration of power and reward at the top

**Spreading wealth and ownership**
- Citizens’ wealth fund and universal dividend
- Employee ownership, inclusive ownership funds (not in CEJ)
- Housing policies including house price inflation target

**Monopoly power and rentierism**
- Digital economy > economies of scale and value in aggregated data. Taxing tech giants and common models of data ownership

**Governance of the firm and rebalancing power**
- Directors’ duties beyond shareholders
- 2+ workers on boards and 1/3 of remuneration committees
- Collective bargaining coverage to 50% by 2030

**Tax policies to shape the market as well as raise revenue**
- Land value tax and property tax
- Corporation tax rise to 24% and alternative minimum corporation tax
- A formula-based income tax system
- Taxing income from wealth like income from work
- A lifetime gift tax/capital acquisitions tax
- Abolish non-dom status and ensure transparent beneficial ownership of trusts
Taxing income from wealth like income from work

- Currently, overall taxation of income from wealth is lower than income from work
- Enables those on top incomes to shift income and reduce their tax burden
- Also goes against basic principles of fairness and favours capital-owners

Proposal
- All income should be taxed at the same rates, regardless of its source
- Abolish annual exempt amount and treat all capital gains and dividend income as personal income for tax purposes. Abolish most reliefs.

CGT change alone could raise £90bn over 5 year parliament, or £46bn with indexation allowance
Taxing income from wealth like income from work

### TABLE 2.5: POST-BEHAVIOURAL IMPACT OF CHANGES (£bn), IMPLEMENTED TOGETHER IN ORDER OF THE TABLE, MARGINAL IMPACTS

These changes would raise significant revenue over five years

<table>
<thead>
<tr>
<th></th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/23</th>
<th>2023/24</th>
<th>2024/25</th>
<th>Total (£bn)</th>
</tr>
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<tbody>
<tr>
<td>Tax capital gains at the same rates as income</td>
<td>0</td>
<td>+8</td>
<td>+10</td>
<td>+9</td>
<td>+9</td>
<td>+36</td>
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<tr>
<td>Remove the annual exempt amount</td>
<td>0</td>
<td>+7</td>
<td>+8</td>
<td>+7</td>
<td>+6</td>
<td>+28</td>
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<tr>
<td>Remove entrepreneurs’ relief</td>
<td>0</td>
<td>+5</td>
<td>+7</td>
<td>+5</td>
<td>+5</td>
<td>+22</td>
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<tr>
<td>Introduce a rate of return allowance&lt;sup&gt;16&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RRA based on bond yields</td>
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<td>-14</td>
<td>-17</td>
<td>-16</td>
<td>-16</td>
<td>-63</td>
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<tr>
<td>Indexation allowance</td>
<td>0</td>
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<td>-11</td>
<td>-10</td>
<td>-10</td>
<td>-40</td>
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<tr>
<td>No allowance</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RRA based on bond yields</td>
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<td>5</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>23</td>
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<tr>
<td>Indexation allowance</td>
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<td>14</td>
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<td>21</td>
<td>20</td>
<td>86</td>
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<tr>
<td>Total with removal of death relief</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>RRA based on bond yields</td>
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<td>7</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>31</td>
</tr>
<tr>
<td>Indexation allowance</td>
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<td>18</td>
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<td>57</td>
</tr>
<tr>
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<td>23</td>
<td>30</td>
<td>25</td>
<td>23</td>
<td>102</td>
</tr>
</tbody>
</table>

Source: Authors’ analysis based on methodology outlined above

Note: Impacts include additional CGT and income tax revenue.
A lifetime gift tax

- Wealth transfers confer an unearned advantage to the recipient
- Currently, the ‘healthy, wealthy and well-advised’ are able to avoid paying inheritance tax. Combined with capital gains tax exemption on death, many gains (including on housing) going untaxed entirely.

**Proposal**

- Tax on all lifetime gifts above a de minimis allowance and lifetime allowance of around £125,000
- Rates set equal to income tax rates

This could raise £15bn, or an additional £9bn, in 2020/21.
Policies to target wealth are politically contentious

Welby warns of ‘widenning wealth gap’

THE Archbishop of Canterbury has put himself at odds with Theresa May by hitting out at the “aristocratic and bible-study kind of money.”

Economic Justice, an independent, research arm of the Church of England, has released a report which calls for an increase in the minimum wage to £10.80 an hour and calls for a new National Investment Bank to be set up to support small and medium-sized enterprises.

By Macer Hall

Archbishop Justin Welby has called for a new National Investment Bank to be established to help support small and medium-sized enterprises. In a report released today, the Archbishop of Canterbury said: “We know from our research that there is a great deal of untapped potential in the UK and that the UK has the potential to become a leading player in the global economy.”

Welby: Raise minimum wage

Justin Welby is demanding a pay rise for millions on the minimum wage because of a “widenning gulf” between the rich and poor.

The top rate of £7.83 should rise by at least £1 an hour, while those on zero-hours contracts should be paid 20% more than the state-set basic wage, the Archbishop of Canterbury said today.

His demands come in a report from the IPPR Commission on Economic Justice — which includes members such as the Archbishop and other leading figures — which sets out a 10-year plan to get the economy working better for everyone.

Mr Welby said many Beefeaters have had “less than their fair share”. “By putting fairness at the heart of the economy, we can make it perform better, improving the lives of millions of people,” he added.
But the ‘common sense’ is shifting

“The publication of a new report from the Institute for Public Policy Research (IPPR), a think-tank, on September 5th exemplified the new political consensus that is taking shape, one which borrows ideas from left and right.”

“It has been welcomed by John McDonnell, Labour’s leftwing shadow chancellor, who compares it to the 1942 Beveridge report that led to the UK’s welfare state. But its focus on economic inequality and creating “a fairer economy” also echoes Theresa May’s pledge as prime minister to focus on helping “just-about-managing” families.”

“Many of the proposals are likely to be welcomed by the opposition Labour Party, led by Jeremy Corbyn, which is calling for an increase in government spending, greater investment in industry and the nationalization of the railways and some other utilities. But Conservative Party politicians have also worried for years about low British productivity. When Prime Minister Theresa May came into power in 2016, she said she wanted to help families who were “just about managing,” and to increase the representation of workers on company boards.”
“A gap has opened up...between the theory of how a market economy delivers and distributes rising prosperity and the reality experienced by ordinary people. Too many people feel that they have lost control; that they are working for the system but the system isn’t working for them. Too many people have experienced years of slow wage growth, too many struggle to make ends meet. They feel less secure in their jobs and have seen the housing market spiral beyond their reach. So our challenge is to ensure that 21st Century capitalism delivers for them.”

Philip Hammond, Chancellor’s Speech, Conservative Party Conference 2018
Regardless of the election outcome, this debate will continue in the UK and globally.

Me, a no-life economist who's studied wealth inequality and wealth taxes for 10 years, to the best of my limited ability.

Larry Summers: "I have carefully studied the Twitter conversation."

First, I have carefully studied the Twitter conversations regarding Saez and Zucman's (SZ) work. I find their critics largely convincing. Some specific issues: Show this thread.

12:53 AM · Oct 27, 2019 · Twitter Web App

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