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‘Coronavirus and Progressive Taxation’

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The social and economic crisis triggered by the coronavirus pandemic has led to a surge of voluntary civic activity, and calls for even more. Mutual aid groups have sprung up around the country, supported by WhatsApp and Facebook groups, to help isolated and vulnerable people in communities. Amidst so much terrible news, we are regularly moved by stories of individuals donating time, money and resources to keep children fed, people housed and the vulnerable cared for.

The NHS itself has become a charitable cause. The government’s NHS volunteer scheme was **overwhelmed with applications** to participate. In addition to the weekly ‘clap for carers’, **NHS Charities Together** is hoping to raise £5m through collecting text-based donations from the general public. The Manic Street Preachers are **playing a free concert** later in the year for NHS staff. More controversially, the government has urged Premier League footballers to take a pay-cut to cover the cost of clubs furloughing their staff, and Matt Hancock **has recommended** footballers donate to hospices.

Some on the Left have asked, quite reasonably, why it has taken a global pandemic in order to demonstrate the value of care workers and others on whom society depends to function. The sight of Conservative politicians offering ‘claps’ to carers whose wages had **suffered a decade** of Conservative austerity is hard to stomach. Nevertheless, there is much to be welcomed in this moment of socio-economic revaluation, that has seen *The Financial Times* **call for a new social settlement** and a much-lauded, thoroughly sociological **Newsnight opener by Emily Maitlis** on the class dimensions of this crisis.

Just as the emergency is temporary, so this window of revaluation will be too. In terms of our paradigms of value, we are currently experiencing a festival or ‘**holiday’**, during which feelings of solidarity and empathy are unusually high, and the ruthless competitive norms of neoliberalism have become taboo. The legacy of the economic crisis will be a macroeconomic hit on a similar scale to the Great Depression, but the political legacy is still up for grabs.

One all-too-plausible future would see the Johnson administration seize on Spring 2020 as evidence that voluntary activity and charity are sufficient to ameliorate the negative effects of austerity and inequality in British society. As Boris Johnson put it in his **video message** following his discharge from hospital, the NHS "is powered by love". A new wave of subtly nationalist communitarianism – Big Society 2.0 – is imaginable on the back of this. Essential workers will be rewarded with more gratitude and appreciation; the rich will be a little more understanding of poverty.

An alternative future would be one in which the present moment of moral revaluation led to a paradigm shift in economic policymaking. This could have all sorts of components, but one of the most important ones would be the role and legitimacy of taxation, not only as a means to repair the macroeconomic damage (that is, help cover the huge cost of emergency government measures and the recession) but as a basis for social solidarity and reduced inequality. To think this through, it is worth reflecting on the work of **Thomas Piketty.**

Egalitarian taxation

According to Piketty, capitalist economies achieved something remarkable and unprecedented between 1918-1980: they systematically reduced inequality, not only in income but in wealth. Piketty's analysis in ***Capital in the Twenty-First Century*** notes the importance of the Great Depression and World War Two in this, seeing as the value of and returns to capital were reduced, thereby levelling the playing field. But as his subsequent ***Capital and Ideology*** argues, the more important factor was an ideological shift that began with World War One, which underpinned the legitimacy of progressive taxation on income and inheritance.

Marginal rates of income tax rose steadily in Europe and the United States up until the 1960s, and levels of inequality fell accordingly. It is astonishing now to think that even the United States saw a top marginal rate of income tax above 90% between the early 1950s and mid-1960s. As George Harrison famously complained in **Taxman**, Britain's was above 95% at various points between 1940 and 1980. Top marginal rates of inheritance tax were also above 70% on both sides of the Atlantic between 1945-80.

1945 is often viewed as the starting point of social democracy, but 1918 is the year when progressive taxation was born. Prior to World War One, income tax and inheritance tax rates were below 10% across the capitalist world, even for the very rich. But in 1918, a combination of re-energised socialism, the massive increase in war debts and the wartime mobilisation of the working class gave legitimacy to entirely new fiscal policies that required the wealthy to contribute more than everybody else. The combination of progressive inheritance tax with the Great Depression saw aristocratic estates broken up and sold off. The kind of rentier class that characterised the pre-1914 *Belle Epoque* lost more and more ground, right up until the 1970s.

As has been widely studied, the 1970s and '80s witnessed another ideological turning point, as the crisis of Keynesian macroeconomics and Fordist profitability provided the opportunity for conservatives and neoliberals to demand a relaxation of controls on capital and major tax cuts. In Britain, top marginal rates of income and inheritance tax were down to 40% by 1990. This is one of the various factors in the escalation of inequality since the election of Margaret Thatcher.

One can oppose high levels of inequality on simple moral grounds, especially in a society such as Britain's in which 30% of children are below the poverty line. We also know empirically from the work of people like **Danny Dorling**, **Kate Pickett** and **Richard Wilkinson** that societies with high levels of inequality suffer from worse social pathologies, in areas such as children's wellbeing and the functioning of the housing market. Yet Piketty's historic analysis also contains some striking details of the additional benefits that progressive taxation had for society. In particular, inheritance tax greatly increased the influence of earned income, such that the cohort born between 1910-60 was the first in history in which the top centile earned most of its income from work, not inherited assets. By the 1970s, capitalist societies had achieved another first: the majority of wealth in society had been accumulated during the lifespans of the living. In Piketty's account, taxation is the grounds of collective rejuvenation, the principle political means with which to counter-act the centralising, dynastic tendencies of capital.

This elevation of the living over the dead, and the productive over the rentier, has been reversed by four decades of neoliberalism. As **Michel Foucault identified**, a crucial objective of neoliberal critique (dating back to the 1950s Chicago School) has been to eradicate the category of 'labour' altogether, and subsume it under that of capital – hence the idea of *human* capital. The lived consequence of this is that, by the 1990s, labour markets in countries such as Britain were no longer adequate to sustain a dignified standard of living and social reproduction. The result was that income supplements ('tax credits') became necessary to top up wages under New Labour. With post-2008 wage stagnation and austerity, survival for many has come to depend on household debt and charity such as food-banks. A system that is no longer able to socially reproduce itself would seem to be ripe for ideological and political overhaul.

Renewing taxation

Standard macroeconomic logic would suggest that taxes be cut during a recession (such as the very serious one we're now in) rather than raised. The task, ordinarily, is to encourage more money into circulation, rather than to reduce incomes. The cost of government intervention can be covered by borrowing in the short-term (currently at an all-time low cost) then repaid over the long term, including by tax rises. But as **Aveek Bhattacharya**, a PhD student at LSE, **has argued**, there are possible reasons why that logic may not apply right now. It's not possible (or desirable) to get the economy moving, when the health crisis demands that we put it on hold. But there are also plenty of well-off salaried people who are ear
ning money at the same rate, with no means of spending it. Why not start taxing them now?

But there is something potentially more important than macroeconomic logic right now, which is ideology. For a brief period, the social value of nurses, hospital porters, bus-drivers, rubbish-collectors and social care workers is in the spotlight, as is their wage stagnation of the past decade. A phrase such as "earn a living" can suddenly be heard in its full social and moral significance, in much the way **Andrew Sayer's** moral economy has sought to highlight. There will never be a better time to question whether many high incomes are actually *earned* (or merely extracted opportunistically) and whether they are necessary for *living* (or merely for status competition). There will rarely be a greater appetite for collective rejuvenation, a genuine re-levelling of opportunity, than after this crisis.

If solidarity is to extend beyond a brief festival of charity and 'claps', and to become the basis of the sort of paradigm shift argued for by *The Financial Times*, then it should include active steps to redistribute far more on normative grounds, and not just to manage the public finances better. Progressive taxation is one way of institutionalising and concretising the claim that Boris Johnson made in an **earlier video**, "there really is such a thing as society". A new wave of progressive tax increases could be ear-marked to achieve a new social settlement, rather as New Labour earmarked a 'windfall tax' on privatised utilities to pay for the 'new deal' for the unemployed in 1997. The evidence of the twentieth century is that major changes in tax structure can leave an enduring legacy, well beyond the immediate crisis that provoked them.

2020 may not represent a fiscal turning point on the same scale as 1918, and it seems doubtful that HMRC will be saying "there's one for you, nineteen for me", as George Harrison's Taxman did in 1966, any time soon. But during this extraordinary period, in which social value appears obviously more important than market value (and not only to those on the Left), the political question needs to be posed as soon as possible: via what instruments do you intend to redistribute resources to reflect this? The more time passes without a new policy settlement being defined – including around progressive taxation – the greater the ease with which conservatives can transition from this exceptional ideological hiatus, back into a mode of austerity, only now with greater appeals to charity and spontaneous generosity.

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