

# So what now?


## Policy, politics and the very rich




Carys Roberts  
November 2019


# The very rich have already featured in this election debate...

 **BBC Radio 5 Live**  
@bbc5live

 "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](https://bbc.in/2NnySK4)



2:21 517.3K views

Lloyd Russell-Moyle speaking on the Emma Barnett Show  
BBC Radio 5 live

10:52 AM · Oct 31, 2019 · [SnappyTV.com](https://snappytv.com)

BUSINESS NEWS NOVEMBER 3, 2019 / 10:21 AM / A DAY AGO

## Labour will raise taxes on top 5% of earners, companies - McDonnell

1 MIN READ  



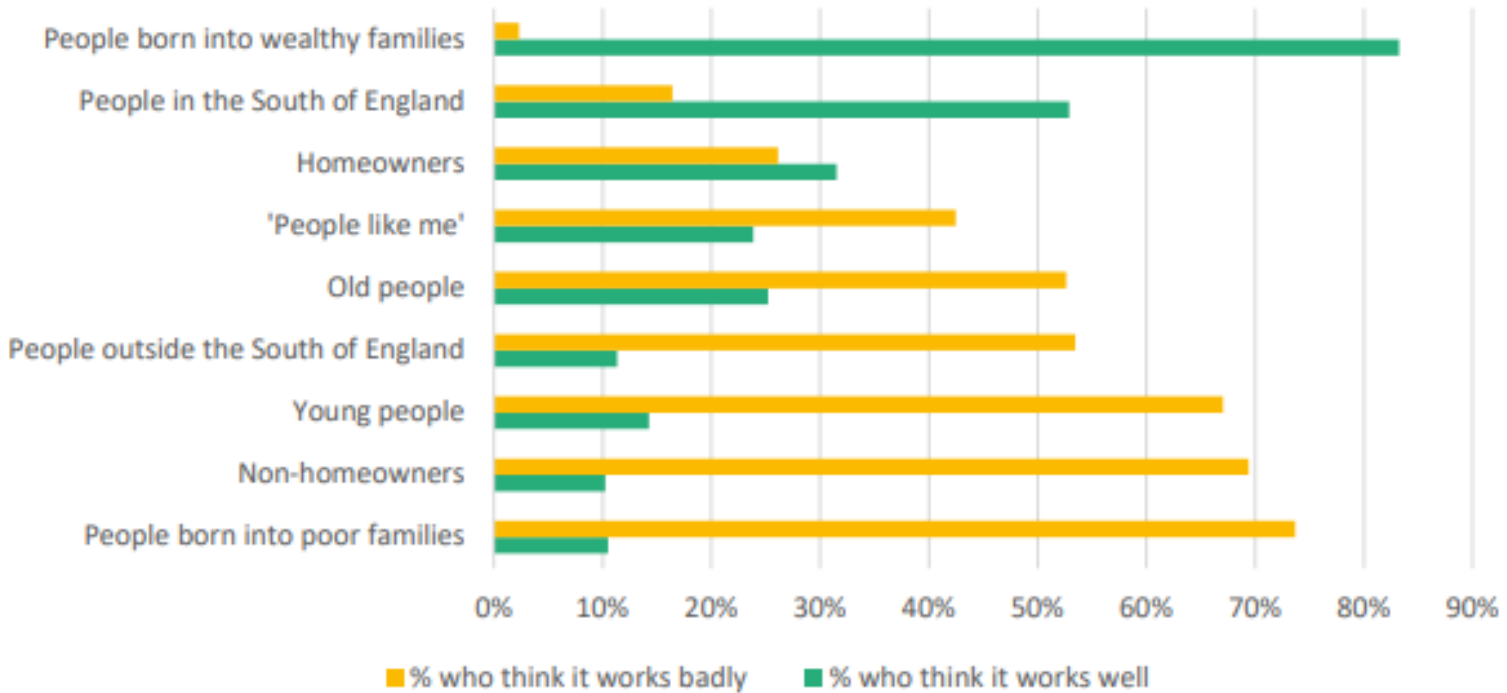
Britain's Labour Party's shadow chancellor John McDonnell arrives to appear on BBC TV's The Andrew Marr Show in London, Britain, November 3, 2019. REUTERS/Vera Ward



# 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...<sup>6</sup>

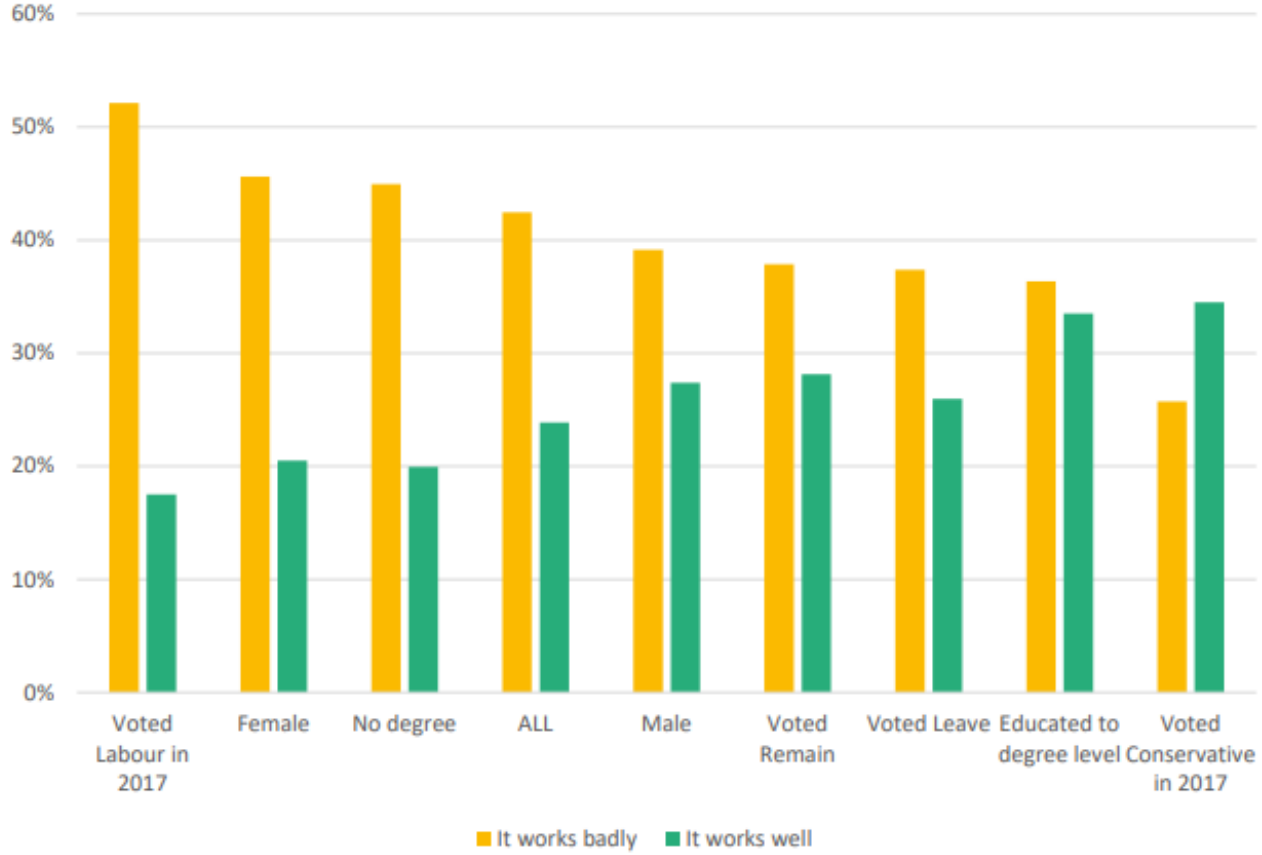


Source: IPPR analysis of Sky Data poll

# 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



**Dominic Barton**  
Global Managing  
Partner Emeritus,  
McKinsey & Company



**Sara Bryson**  
Community Organiser  
Citizens UK,  
Tyne & Wear



**Matt Clifford**  
Chief Executive,  
Entrepreneur First



**Charlie Cornish**  
Chief Executive,  
Manchester Airport  
Group



**Claire Dove**  
Chief Executive,  
Blackburne House  
Group



**Lord Eatwell**  
President, Queens'  
College, Cambridge



**Grace Gould**  
Entrepreneur in  
Residence,  
LocalGlobe



**Sandra Kerr**  
Race Equality Director,  
Business in the  
Community



**Lord Kerslake**  
Chair, Peabody Trust



**Tom Kibasi**  
Director IPPR & Chair,  
Commission on Economic  
Justice



**Catherine McGuinness**  
Chairman, City  
of London Corporation



**Mariana Mazzucato**  
Professor, Economics  
of Innovation and Public  
Value, UCL



**Dame Helena Morrissey**  
Head of Personal  
Investing,  
Legal & General



**John Mills**  
Founder and  
Chairman, JML



**Frances O'Grady**  
General Secretary,  
Trades Union Congress



**Stephen Peel**  
Founder and Chairman,  
SMP Policy Innovation



**Mary Senior**  
Scotland Official,  
University and College  
Union



**Hetan Shah**  
Chair, Friends Provident  
Foundation



**Mustafa Suleyman**  
Co-Founder & Head of  
Applied Artificial  
Intelligence, DeepMind



**Sally Tallant**  
Director,  
Liverpool Biennial



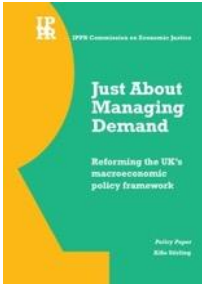
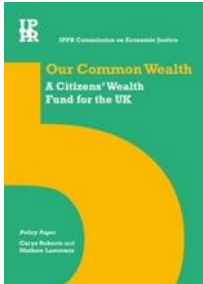
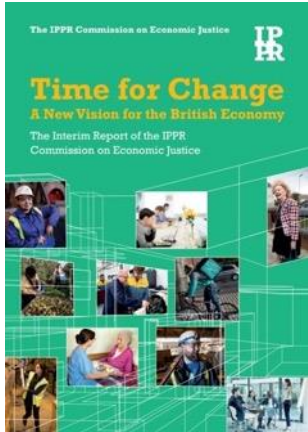
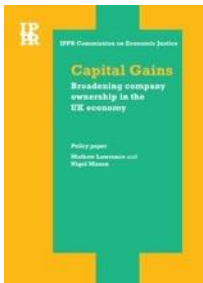
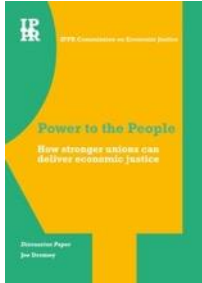
**Neera Tanden**  
President,  
Center for American  
Progress



**Most Revd Justin  
Welby**  
Archbishop of  
Canterbury

*“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



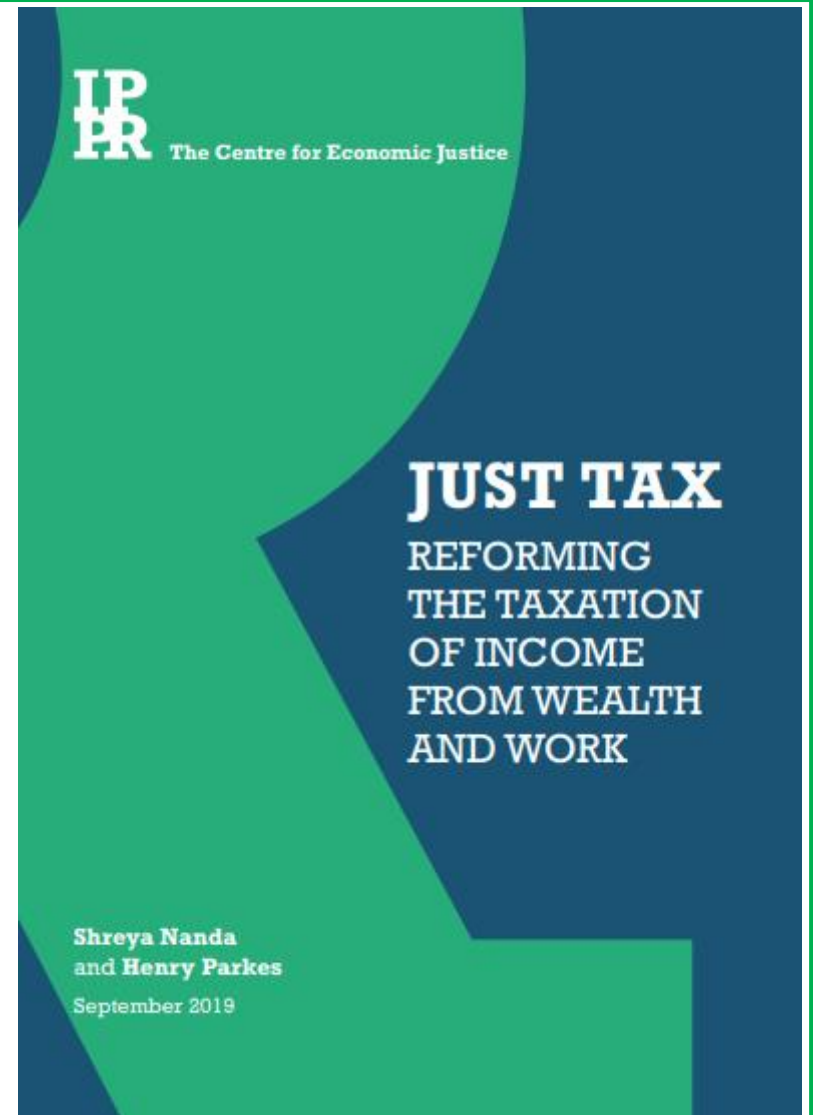
# Taxing income from wealth like income from work

- 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

		2020/21	2021/22	2022/23	2023/24	2024/25	Total (£bn)
Tax capital gains at the same rates as income		0	+8	+10	+9	+9	+36
Remove the annual exempt amount		0	+7	+8	+7	+6	+28
Remove entrepreneurs' relief		0	+5	+7	+5	+5	+22
Introduce a rate of return allowance <sup>10</sup>	RRA based on bond yields	0	-14	-17	-16	-16	-63
	Indexation allowance	0	-9	-11	-10	-10	-40
	No allowance	0	0	0	0	0	0
Total	RRA based on bond yields	0	5	8	5	4	23
	Indexation allowance	0	10	14	11	10	46
	No allowance	0	19	25	21	20	86
Total with removal of death relief	RRA based on bond yields	0	7	10	7	6	31
	Indexation allowance	0	13	18	14	12	57
	No allowance	0	23	30	25	23	102

Source: Authors' analysis based on methodology outlined above

Note: Impacts include additional CGT and income tax revenue.

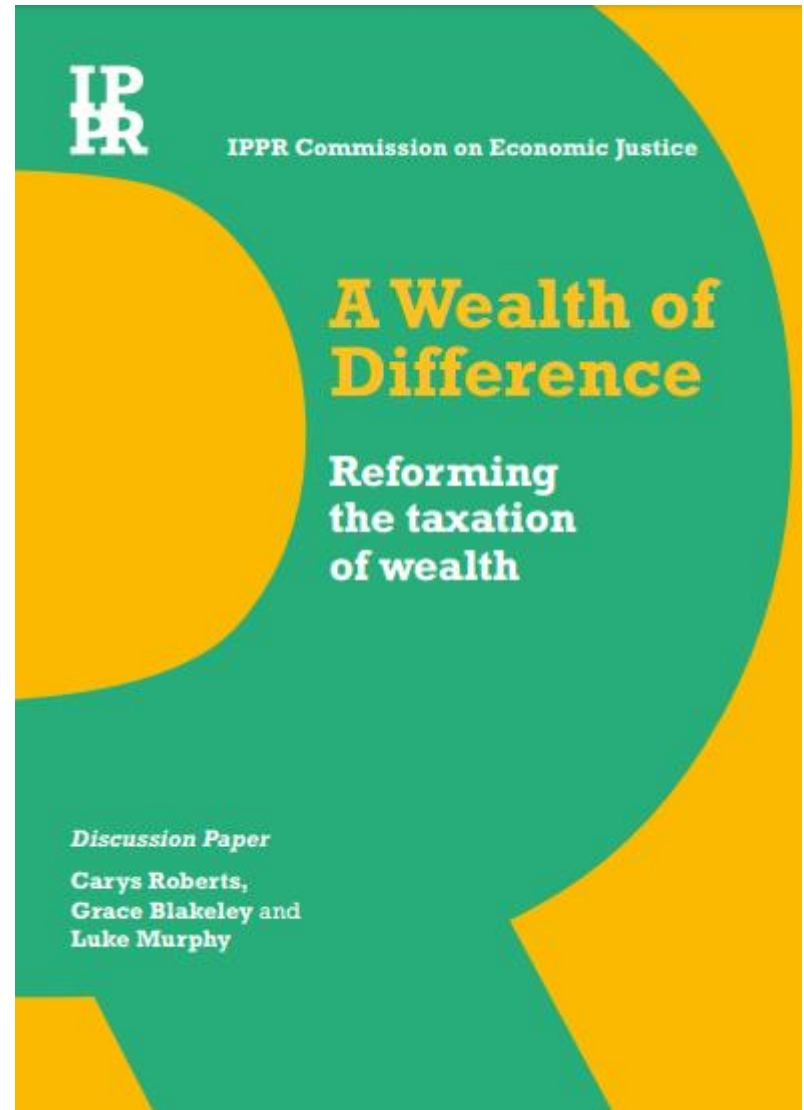
# A lifetime gift tax

- 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

**Yes, yes, YES! Older women are finally calling the shots on TV**

Archbishop calls for £9bn inheritance 'super-tax' to fund £10k handouts to the young ++ He wants to hammer giants like Amazon ++ And demands watchdog to curb online bullies

## WELBY WEALTH TAX STORM

**By Simon Willmet**

WEALTHY families should pay more tax to help the poor, the Archbishop of Canterbury Justin Welby says in a controversial call for a £9bn inheritance 'super-tax' to fund £10,000 handouts to the young. He also demands a watchdog to curb online bullies.

The Archbishop's report on the British economy makes an astonishing break from the teaching of the Church. The Archbishop - in defiance of Christian teaching - considers that God and Mammon can indeed live together. But he argues that hard-core economic dogmatism is not nearly enough. A modern economy will only work properly if it is also fair and just.

As he rightly points out, he has become much too tough for millions of decent, hard-working people who have seen their incomes fall sharply over the past decade. And as their incomes fall, their livelihoods have become more insecure.

Meanwhile, the rich - many of whom hide their assets overseas - have grown ever richer.

The Archbishop does not simply consider this a moral abomination. He also thinks it is an economic mistake.

That is why Welby argues for a transformation of British society as profound as the one masterminded by Labour leader Chris Acland after the election of Margaret Thatcher's free-market reforms of the 1980s. I wholeheartedly agree with him about the need for such reforms. But I am afraid that massive questions marks surround his solutions.

Welby, in defiance of almost all theory and practice, believes he can solve Britain's economic problems by putting up where there is no work.

To repeat - most taxes!

pick and choose industrial winners. Let us not forget that the Archbishop of Canterbury does not always get it right when massive questions marks surround his solutions.

Welby, in defiance of almost all theory and practice, believes he can solve Britain's economic problems by putting up where there is no work.

To repeat - most taxes!

**Justin Welby**

In controversial call to help lower and middle income earners, the Archbishop of Canterbury declares...

**WHY I BELIEVE WE NEED TO TAX WEALTH MORE**



**COMMENTARY**  
**By Peter Osborne**

**A** RCHBISHOP of Canterbury Justin Welby used to be an oil company executive before taking holy orders. So he knows as much about business as he does about the teachings of Jesus Christ.

And the central insight of the Archbishop's powerful report on the British economy makes an astonishing break from the teaching of the Church.

The Archbishop - in defiance of Christian teaching - considers that God and Mammon can indeed live together. But he argues that hard-core economic dogmatism is not nearly enough. A modern economy will only work properly if it is also fair and just.

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To repeat - most taxes!

**REPORT'S AUTHORS**

**Yes, Welby is right to help poor. But this tax grab fills me with fear**



**Mother of nine: Helena Morrissey**  
**The City high flyer betting on Brexit**

**A SELF-STYLED 'progressive Brexiter'** is among the authors of the report by the Institute for Public Policy Research.

Like Helena Morrissey, a member of nine, is a rising City star. The Brexiter has made a Brexit-induced shake-up in

**After Mail shames**

6 Daily Express Wednesday September 5 2018

## Welby warns of 'widening wealth gap'

THE Archbishop of Canterbury has put himself at odds with Theresa May by hitting out at the "widening gulf between rich and

By **Macer Hall**  
Economic Justice, an independent panel set up by the Institute for

and wealth, a new National Investment Bank, workers on company boards and higher pay for those on zero hours contracts.



# ARCHBISHOP: HIKE TAX ON WEALTH TO HELP POOR

**BRITAIN'S richest must pay billions more in tax to help the poor, the Archbishop of Canterbury has demanded.**

Justin Welby said the nation's economy has been broken "for decades".

He wants to raise death taxes by up to £9 billion and increase Welby... poverty plea

**By MATT DATHAN**

capital gains tax by £13 billion. Multinationals such as Amazon and Starbucks would also be targeted with a "backstop tax".

The plans are in a report - which Mr Welby has co-written - for the left-leaning Institute for Public Policy Research (IPPR).

The extra cash would fund a rise in the minimum wage and £10,000 handouts to help young adults on to the housing ladder. It

would also help to create a £186 billion "Citizens Wealth Fund" by 2030. The report calls for inheritance tax to be replaced by a gifts tax.

It would allow individuals to receive a total of £125,000 over their lifetime tax-free but any further gifts would be liable to income tax. Currently estates are taxed only after £325,000 - or £650,000 for a couple.

Mr Welby said: "The widening gulf between rich and poor, and

UK was not required parable to y Clement TUC general secretary Frances O'Grady, another contributor to the report, said: "It's time for a once-in-a-generation rethink.

## Welby: Raise minimum wage

**JUSTIN WELBY** is demanding a pay rise for millions on the minimum wage because of a "widening 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 will say today.

His demands come in a report from the

IPPR Commission on Economic Justice - whose members include 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 Britons 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 Economist

“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.”

### FT FINANCIAL TIMES

“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.”

### The New York Times

“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.”

## Recognition of this shift goes beyond the left

“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**



# CAPITALISM. TIME FOR A RESET.

# Regardless of the election outcome, this debate will continue in the UK and globally

 **Gabriel Zucman**  
@gabriel\_zucman

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"

 **Lawrence H. Summers** @LHSummers · Oct 26  
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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