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What are the Barriers to Taxing Wealth? The Case of a Wealth Tax Proposal in the UK

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Abstract

Over the past decade there have been repeated calls for the greater taxation of wealth. These calls have had little impact on policy. There has been a global trend to reduce or abolish taxes on wealth. The contrast suggests that it may be better now to explore how taxes on wealth may be made a reality rather than designing new tax proposals. What are the barriers to tax wealth? This paper addresses this by conducting a case study of a high profile plan for introducing a one-off wealth tax in the UK. It identifies a tyranny of the status quo, framing and the policy process as key barriers to tax reform. It uses thematic analysis to study how the plans for a one-off wealth tax were discussed in the media and the UK Parliament. This paper argues that there were important shortfalls in both the way the case for a wealth tax was framed as well as the engagement with the policy process. It claims that a stronger framing would have discussed wealth inequality in greater depth and there was a need for a less equivocal case to Parliamentarians.

Keywords: wealth tax; Wealth Tax Commission; wealth inequality

Introduction

Over the past decade there have been repeated calls for the greater taxation of wealth. Taxes on wealth can take several forms: namely, taxes on stocks of wealth such as wealth taxes; transfers of wealth such as inheritance or capital receipts taxes; or income from wealth such as capital gains taxes (Mirrlees *et al.*, 2011; Lawton and Reed, 2013; Donovan, 2016; Corlett, 2018; Roberts, Blakeley and Murphy, 2018; All-Party Parliamentary Group Inheritance & Intergenerational Fairness, 2020; Advani *et al.*, 2020b). Much of the recent interest in taxing wealth more heavily is driven by growing concern over wealth inequality. Research suggests that in the twenty-first century wealth inequality is outstripping income inequality (Piketty, 2014; Atkinson, 2015). Across the OECD wealth inequality is on average around twice the level of income inequality. The wealthiest 10% of households hold around half of total net wealth compared with around a quarter of total income held by the top 10% of the income distribution (Balestra and Tonkin, 2018).

Alvaredo *et al.* (2018) chart the level of wealth inequality in the UK over more than a century. The share of wealth held by the wealthiest has dropped over 100 years. They note that before the First World War, the top 5% of wealth holders held around 90% of total personal wealth. This share fell to 40% 100 years later. Similarly, the top 1% of wealth holders used to own two thirds of total wealth and this share fell to a fifth a century later. Although the shares have reduced, Alvaredo *et al.* (2018) say that the wealthiest still have a disproportionate share of total wealth and that wealth inequality is greater than income inequality. Moreover, after a long period of decline, since the mid-1980s the share of the top 1% has begun to increase. In the UK, the Office for National Statistics' Wealth and Assets Survey (2016 to 2018) shows that the poorest decile of families have negative net wealth whereas for the top 1% each adult family member is worth just over £5 million (Advani *et al.*, 2020a).

The calls for the greater taxation of wealth have had little impact on policy. There has been a global trend to reduce or abolish taxes on wealth. In the US, in 2001 a federal law was passed that gradually reduced the estate tax until it was abolished. A sunset clause meant that the estate tax reappeared after 2010, albeit in a much weaker form (Graetz and Shapiro, 2005; Center on Budget and Policy Priorities, 2018). Austria and Sweden both abolished inheritance and gift taxes in 2007 and 2004 respectively (Klitgaard and Paster, 2020). The number of OECD countries imposing net wealth taxes dropped from 12 to 3 between 1990 and 2020. In 2020, Norway, Spain and Switzerland were the only OECD countries with net wealth taxes. The revenue raised by these taxes is small. In 2018, the revenue ranged from 0.5% of total tax revenue in Spain to 3.9% in Switzerland (Perret, 2020).

The contrast between the calls for the greater taxation of wealth and actual policy suggests that it may be better now to explore how taxes on wealth may be made a reality rather than devote more time and energy to designing different taxes on wealth. Although the latter is an important topic, arguably there is a stock of detailed plans for taxing wealth already. This mass of detailed proposals is updated at fairly regular intervals. The challenge now is to consider how to move from rhetoric to reality. Much less has been written on how to turn ideas for taxing wealth into policy (Tetlow *et al.*, 2020). Indeed, taxation is itself a neglected topic in social policy research (Ruane *et al.*, 2020).

What are the barriers to tax wealth? This paper addresses this by conducting a case study of a high profile plan for introducing a one-off wealth tax in the UK. The case of a wealth tax is interesting as there was a failure to introduce such a tax around 50 years ago. As explored in the pages of this journal, during the mid-1970s, the Labour government wanted to introduce a wealth tax, but this was never implemented (Glennerster, 2012). The prospects for such a tax do not seem auspicious. In a debate in Parliament on 8 July 2020, Chancellor Rishi Sunak stated that: 'I do not believe that now is the time, or ever would be the time, for a wealth tax' (reported in Hansard 2020).

This paper identifies a tyranny of the status quo, framing and the policy process as key barriers to tax reform. It uses thematic analysis to study how plans for a one-off wealth tax were discussed in the media and the UK Parliament. This paper argues that there were important shortfalls in both the way the case for a wealth tax was framed as well as the engagement with the policy process. It claims that a stronger framing would have discussed wealth inequality in greater depth and there was a need for a less equivocal case to Parliamentarians. This paper makes a contribution by adding to the sparse literature on tax reform. Creating a compelling narrative is important for the success of reforms. But narratives can be crafted in different ways. This paper examines the main narrative used by the wealth tax proposal and suggests that an alternative narrative may be better placed to boost the chances of reform.

Barriers to a wealth tax

The 'tyranny of the status quo' is perhaps the most obvious block to any tax reform (Friedman and Friedman, 1985; Lyons, 2007; Mirrlees *et al.*, 2011; Johnson and Myles, 2011; Tetlow *et al.*, 2020). Tax policies usually create 'winners' and 'losers'. Winners are those people or organisations that have a net gain from a tax change. Losers are those people or organisations who suffer a net loss. Tax policy wisdom claims that losers will be infuriated and lobby hard against the proposed reform while the winners will be ungrateful. Politicians will face a backlash against any tax plans and this can have damaging electoral results. To avoid this, politicians find it easier to stick to the status quo.

This tyranny of the status quo is thought to be particularly acute for any plans to tax wealth. The wealthy are the main losers from any type of tax on wealth. But wealth is also a source of power – for example, by creating channels for the best tax advisers, lobbyists and so on (Gilens, 2014; Bartels, 2016). The backlash to any plan to tax wealth is likely to be strong.

Although the tyranny of the status quo is an undoubted barrier to taxing wealth, this does not mean that reform is impossible. Government might be able to placate – at least partially – the losers by making compensation payments elsewhere (Tetlow *et al.*, 2020). The tyranny of the status quo views tax reform through a calculus of material gains or losses. But, people and organisations may also have other priorities or values that can override these material concerns (Shiffrin, 2013). For example, the Patriotic Millionaires is a group of high net worth Americans calling for the greater taxation of the rich (https://patrioticmillionaires.org/about/) Nevertheless, policy-makers have to make a concerted effort to overcome this tyranny of the status quo. The success of reform depends then on other factors.

Framing

The way that tax plans are framed seems important for any reform (Rowlingson, 2008; Alt *et al.*, 2010; Glennerster, 2012; Tetlow *et al.*, 2020; OECD, 2021). Glennerster (2012) argues that a key failing of the wealth tax proposals in the 1970s in the UK was that policy-makers failed to spell out to the public what the underlying problem was that the wealth tax was supposed to address. Tetlow *et al.* (2020) reports research that suggests that Chancellors pay particular attention to the way that tax proposals are discussed or debated within the media. Of course, politicians might only quote from those media reports that are favourable or convenient. But, media debates might also influence politicians in their policy choices.

One debate concerns the role that information should play in the framing of proposals to tax wealth. Evidence exists that suggests that the public have patchy knowledge about the nature and extent of wealth taxation. For example, the public often overstates the proportion of estates liable for taxation (Hedges and Bromley, 2001; Rowlingson and McKay, 2005; Bartels, 2016).

One view is that government might build public support for taxing wealth through public information that clarifies the incidence of taxation (Rowlingson and McKay, 2005; OECD, 2021). Bastani and Waldenström (2021) report results of a randomised experiment in a Swedish survey that found that informing people about the large impact of inherited wealth and its link to inequality of opportunity significantly increased the support for inheritance taxation.

Other observers are more sceptical about the impact of information on preferences. Krupnikov *et al.* (2006) claim that survey data usually understates public knowledge of inheritance tax because people do not have much incentive to reveal their true knowledge (Krupnikov *et al.*, 2006; see also Bartels, 2016). Fatemi *et al.* (2008) argue that tax preferences exhibit 'confirmation bias' where people respond to new information by bending it to suit existing biases. For example, political biases shape attitudes to the estate tax in the US. Republican supporters are more hostile than Democrats to the estate tax. Republicans are more likely than Democrats to dismiss new information about the incidence of estate taxation (Bartels, 2016).

Graetz and Shapiro (2005) bring together the different arguments in their case study of the repeal of estate tax in the US in 2001. They ask how was it possible to win popular support for the repeal of a tax that only applied to 2% of estates? Political opponents of the estate tax used emotive case studies of hard-working people who had built up wealth from poverty only for their families to find this all ruined by the 'death tax'. Supporters of the estate tax responded by pointing to statistics that showed only a tiny minority of estates paid the tax. Graetz and Shapiro (2005) argue that rival statistics were marshalled on both sides of the debate but ultimately statistics or 'science' was not enough to win debates. These researchers suggest that because taxation is complex, people look for a compelling narrative when deciding whether or not to support reform. They propose that supporters of the estate tax should go beyond science and develop their own narrative for reform.

But, narratives can be shaped in many different ways and it is an open question of what specific narrative best serves a wealth tax. One possibility is to craft a narrative based on the need to raise revenue to pay for the spending on Covid-19. An alternative is to root a wealth tax much more in a discussion of wealth inequality. Covid-19 might also be used here to suggest that the pandemic may worsen existing inequalities (Furceri *et al.*, 2021). A wealth tax may be needed to cut wealth inequality.

Policy process

All tax reforms have to go through a policy process before they are implemented. Usually, tax plans are drafted, sent out for public consultation, voted on in legislatures and if passed are then enacted by civil servants. The precise nature of the policy process will differ in different political systems but drafting tax plans usually depends on a pool of tax policy experts, consultation may involve lobbying by interest groups, proposals need Ministerial support for government 'buy-in' and the civil servants should have the administrative capacity to implement the tax plans (Alt *et al.*, 2010; Glennerster, 2012; Perret, 2020; Tetlow *et al.*, 2020).

Tax proposals might flounder at any of these stages. For example, in 'plural' political systems marked by many divisions of power between and within political institutions there may be many points at which tax plans can be vetoed. Perret (2020) suggests that the main impact of interest group lobbying is on the granting of exemptions or loopholes. Alt *et al.* (2010) comment that the granting of exemptions can also create new interest groups in favour of such reliefs and so once implemented the exemptions may be hard to remove.

Alt *et al.* (2010) contrast the UK political system, in which the executive dominates the legislature, with many of the systems in continental Europe: which are marked by a division of power between the executive and the legislature, a proportional electoral system, and stronger traditions of coalition politics. The latter have more opportunities for veto than in the UK system. Within the UK, the Treasury Committee is an important veto player within Parliament as it is responsible for scrutinising tax policy. Proposals to strengthen Parliament usually focus on expanding the role of the Treasury Committee (Alt *et al.*, 2010; Tetlow *et al.*, 2020). This means that a study of the tax policy process ought to focus on its role in debates on a wealth tax.

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Context and tax proposals

Taxing wealth can be justified on both efficiency and equity grounds. One efficiency argument is that wealth such as land can give rise to economic rents and so taxing these rents can enhance efficiency. Equity arguments for taxing wealth draw on an idea that differences among individuals in the labour force means that taxing capital income allows for more redistribution than taxing labour income alone (Piketty, 2014; Scheuer and Slemrod, 2020; Landais *et al.*, 2020; Bastani and Waldenström, 2020; OECD, 2021).

There are competing arguments for different ways to tax wealth. Piketty (2014) proposes a global wealth tax to reduce wealth inequality. A one-off wealth tax though has an advantage that will not prompt efforts to avoid taxation as it is based on wealth that is already accumulated (Advani *et al.*, 2020b). Scheuer and Slemrod (2020) warn that it may be difficult for a government to commit credibly to a one-off wealth tax and so such a tax might nevertheless lead to behaviour change such as international capital flight. Bastani and Waldenström (2020) suggest that administrative problems in defining a wealth tax mean that it may be better to focus instead on an inheritance tax.

Public attitudes seem to favour certain forms of taxing wealth over others. Public hostility to inheritance tax is well documented (Hedges and Bromley, 2001; Graetz and Shapiro, 2005; Bartels, 2006, 2016; OECD, 2021). But, this opposition to taxing inheritances does not necessarily mean that the public are opposed to all forms of taxing wealth. Evidence exists which highlights public support for a wealth tax. Chirvi and Schneider (2020) undertook an online survey experiment in the US where participants were asked about their preferences over an estate tax and different types of wealth tax. This research found strong hostility to the estate tax, particularly among Republican supporters. However, this research found more support for a one-off or periodic wealth tax, even among Republicans. Fisman *et al.* (2020) conducted online surveys that asked respondents about their preferences over jointly taxing income and wealth. This research found that respondents preferred taxes on both wealth and income. Furthermore, support for taxing wealth increased when it was stated that the source of wealth came from an inheritance rather than previous earnings.

Sands and de Kadt (2020) suggest that symbols of wealth can also raise support for taxing wealth. These researchers conducted an experiment in South Africa in which interviewers approached people in the street in low-income neighbourhoods to ask about their opinions on taxing wealth. In some of the settings, an expensive car was deliberately parked nearby to assess whether this had any impact on attitudes to taxing wealth. This research found that the presence of the expensive car increased support for higher taxes on wealth.

The Wealth Tax Commission

The above highlights that there are different options for taxing wealth and that context can shape responses to tax proposals. This paper now looks at a specific proposal that emerged from the Wealth Tax Commission in the UK. This Wealth Tax Commission was formed in Spring 2020 to respond to the economic challenges posed by Covid-19. It was led by an academic economist (Arun Advani), legal scholar (Andy Summers) and barrister (Emma Chamberlain) (https://www.ukwealth.tax/the-team). The Wealth Tax Commission was funded by the Economic and Social Research Council and contributions from the London School of Economics and Warwick University. The Wealth Tax Commissioners coordinated contributions from tax policy experts, gathering around half a million words across thirty papers. It produced its final report in December 2020.

The Wealth Tax Commission says that its main aim is to address a crisis in public finances caused by Covid-19. The Office for Budget Responsibility's (2020) November 2020 forecast states that the UK government has spent around £280 billion on combatting the virus and that the drop in national output in 2020 of 11% is the worst for over 300 years. The Wealth Tax Commission rejects a permanent wealth tax. It says that an annual wealth tax would be difficult to assess and likely to prompt avoidance. Its ambitions are limited instead to a one-off wealth tax. The Wealth Tax Commission proposes a one-off wealth tax levied on all individual wealth above £500,000. The wealth tax would be charged at 1% and apply for five years. The report says that this tax would raise £260 billion (Advani *et al.*, 2020b).

The Wealth Tax Commission claims that a wealth tax would be fair. It suggests that those with wealth have more capacity to pay taxes and so this is a fair way to raise revenue. The Wealth Tax Commission also cites public attitudes work that it commissioned that shows public support for a wealth tax. Rowlingson *et al.* (2020) conducted an online survey and focus groups in July and August 2020 on public attitudes to a wealth tax. Survey respondents were given different options for raising revenue. Of the options presented, the most popular was for a wealth tax starting at £1 million (41%). This had around double the support of increasing council tax (21%), raising income tax for all earners (7%) and putting up Value Added Tax (VAT) (4%).

Methods

Case study methods have been used in previous research on taxes (Graetz and Shapiro, 2005; Alt *et al.*, 2010; Bartels, 2016). One limitation of a case study is that it can be hard to draw general conclusions. But a compensation is that a case study method allows for an in-depth exploration of the challenges that can face plans to tax wealth (Mills *et al.*, 2010; Swanborn, 2010; Tight, 2017). The discussion above highlights the importance both of the way that the one-off wealth tax is framed as well as the engagement with the policy process. For the UK, the engagement with Parliament is a key part of this. There was a media discussion of the wealth tax plans and the Treasury Committee explicitly considered wealth taxes as part of a public inquiry.

The selection of the media sample followed a similar process used in other studies of media reporting (Bridge *et al.*, 2020; Orphanidou and Kadianaki, 2020). The research used the LexisNexis database to select items relevant for the Wealth Tax Commission. As the research was interested specifically in the Wealth Tax Commission, 'Wealth Tax Commission' was the search string used to identify the items. A wider search term such as wealth tax yielded many more results, but most were not relevant as they focused on wealth taxes in other countries (such as Elizabeth Warren's plans in the US Senate).

The time period chosen was from 5 November 2020 to 1 March 2021. This time period includes the appearance of the Wealth Tax Commissioners before the Treasury Committee (18 November), the publication of the Wealth Tax Commission report (9 December) and the launch of the Treasury Committee's Tax after coronavirus report. The LexisNexis results were listed by relevance. This also grouped together items of high similarity (for example, where there were multiple versions of an online item). All types of item were included (e.g. stories, editorials, letters). The search yielded 170 items. All items were initially reviewed. Nine duplicates were excluded. Fifteen items were also excluded because they were not about the Wealth Tax Commission or only mentioned the Wealth Tax Commission's plans in passing (for example, a line at the end of a weekly news round up). The final sample was 146 items.

The final sample included stories, comment pieces, editorials and blogs. The Wealth Tax Commission plans were discussed within the right wing (*Daily Telegraph*, *Express* and *Mail*), centrist (*Independent*, *Financial Times)* and left-leaning (*Guardian*, *Observe*r) press. Most of the coverage was in 'broadsheets' such as the *Daily Telegraph* and *Financial Times* although there was some reporting in the 'red-top' tabloids (*Sun*, *Mirror*). Professional publications (*Investors Chronicle*, *Wealth Adviser*) also covered the Wealth Tax Commission. Finally, there was a minority of coverage in the foreign press in places such as France, Poland and Germany.

Figure 1 describing the search strategy is provided below.

The thematic analysis followed the steps set out by Braun and Clarke (2006). Braun and Clarke (2006) note that themes can emerge from prior theory or from the data. This research used the main narratives for a wealth tax to pick the themes: namely, the repairing of the public finances or reducing wealth inequality. This was used to inform the codes used to analyse the sample.

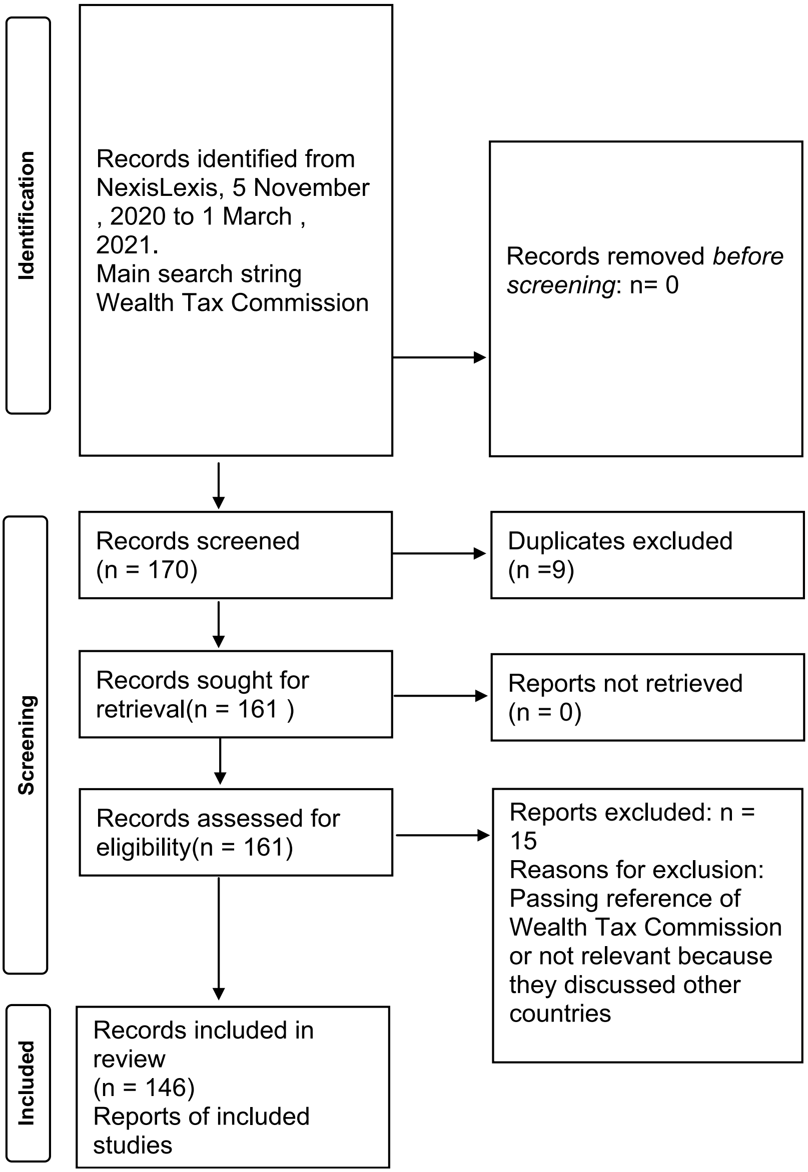

FIGURE 1. Source: Page *et al.* (2021).

Manual coding was used (which Braun and Clarke, 2006 deem acceptable). For example, for the public finances theme, codes examined whether or not an article thought that a cut in the public debt is a priority. The quotations give evidence of the different arguments appearing in each of the themes.

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In the 2019 Parliament, the Treasury Committee has 11 members. It is chaired by the Conservative MP Mel Stride and has a Conservative majority on the Committee (with 6 out of the 11 members from the Conservative party) (Treasury Committee, 2020a). On 17 July 2020, the House of Commons Treasury Committee launched an inquiry to examine how the tax system may have to change because of the Covid-19 crisis (https://committees.parliament.uk/work/465/tax-after-coronavirus/). This inquiry held seven public hearings between 1 September 2020 and 18 January 2021. One of the hearings, on 18 November, focused on wealth taxes. Two of the authors of the Wealth Tax Commission, Arun Advani and Emma Chamberlain gave spoken evidence to this session. Other witnesses who were invited to give evidence included Sir Edward Troup, former First Permanent Secretary at HM Revenue and Customs (HMRC); Robert Palmer, Executive Director of Tax Justice UK; and Tim Worstall, a Senior Fellow at the free market think tank the Adam Smith Institute (Treasury Committee, 2020b). The Treasury Committee launched its inquiry report on 1 March 2021. Particular attention was paid to the public hearing that was dedicated to wealth taxes on 18 November as two of the three authors of the Wealth Tax Commission gave evidence.

The discussion of the wealth tax in the media

The discussion of barriers highlights the importance of a narrative but notes that narratives can be shaped in different ways. The main narrative discussed in the media was the one that examined public finances rather than wealth inequality.

The large majority of items in the final sample focused on public finances (over 100 items) rather than wealth inequality, as evidenced by title and content. The Wealth Tax Commission anchored its wealth tax plan in a narrative based on public finances. One noteworthy item was an opinion piece written by Advani in the *Investors Chronicle*. This piece offered an opportunity for the Wealth Tax Commission to present its case and shape the debate. Advani chose to highlight the importance of repairing the public finances: 'We proposed a one-off wealth tax, to be brought in only when government determined it needed the revenue, that would postpone the need for economically damaging rises in income tax or national insurance rates' (Advani, 2021).

Graetz and Shapiro (2005) highlight the importance of developing a compelling narrative. Most of the stories in favour of the wealth tax plan tended to focus on 'science' rather than fashioning emotive examples. Much of the media commentary accurately reported the basic details of the wealth tax proposal: namely, the one-off levy of 1% on wealth over £500,000. Clear information about the wealth tax plan was in the public domain. Usually, this pointed to how much revenue a wealth tax would raise for the public purse. For example,

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Sandbu (2020) writes in the *Financial Times* that: 'With numbers such as these, the case really needs to be not whether the UK should introduce a wealth tax but whether it can afford not to'.

The media debate also questioned whether revenue raising provides a compelling narrative for a wealth tax. This advanced a counter view that low interest rates mean that the costs of servicing the national debt are low. Thus, there is no need for tax rises in the short-term as this would endanger the economic recovery. Rather, more weight should be placed on encouraging growth (Giles, 2020; Wolf, 2020). In the *Financial Times* on December 11, Giles (2020) writes that:

> It would be the right tax to levy if the UK or any country was facing a need to reduce public debts quickly in the face of high interest rates or an impending default. Yet none of this is relevant as a response to the Covid-19 crisis, where government borrowing has been easy and, at negative real interest rates, pays for itself.

An alternative narrative of using a wealth tax to cut wealth inequality also featured in the media but this was much less developed. Right wing criticisms of a wealth tax tended to refer to how a wealth tax might hit the family home (Shah, 2020; Denton, 2020; O'Grady, 2020). In an opinion piece for the Daily Telegraph, Shah (2020) said that the wealth tax would:

> hit middle-class families, force people to sell their homes and push the truly rich to flee the country. The most concerning aspect of the proposals is that the wealth tax threshold could be set as low as £500,000, or £1 million for a married couple. To make matters worse, the proposed wealth tax would be incredibly wide ranging and capture the family home, pensions and business interests, although would be offset by mortgages and other debts.

Invoking the family home is a trope of conservative thought (Kohl, 2020). Referring to the family is aimed at creating an emotional reaction to the wealth tax plans. Although the quotation correctly reports the basic details of the proposed tax – namely, 1 per cent on wealth over £500,000 – it fails to note that the Wealth Tax Commission report set out ideas to stop people having to sell the family home to pay any tax bill.

Among the left-leaning press there were hints of what an alternative narrative built on wealth inequality might look like. An editorial in the *Guardian* (2020) on 9 December states that: 'in a society exhausted by a decade of austerity that is calling for a fairer social settlement, a wealth tax should be part of the mix. Britain taxes work far more than it does idle wealth, a situation both unfair and economically damaging'. One way of developing this alternative is for supporters of a wealth tax to fashion their own emotive examples in favour of a wealth tax – for example, by providing instances of the idle rich.

The case to politicians

The question of whether it was urgent to cut the public debt was discussed in the Tax after coronavirus inquiry. In the final hearing on 18 January 2021, the First Secretary to the Treasury Jesse Norman referred directly to the media discussion above about public debt and a wealth tax. He answered that:

> I noticed a piece in the *Financial Times* the other day suggesting that it was not necessary because it is a tax that would only be required, if at all, if one had a need to reduce public debts quickly in the face of a high interest rate, which is not the position we are in at the moment. Those were interesting insights that I certainly noticed (Norman, Treasury Committee, 2021b, Q512).

In the hearing on wealth taxes on 18 November 2020, Conservative Steve Baker MP started by declaring his opposition to taxes on wealth: 'I wonder whether anyone giving evidence today agrees that transaction wealth and inheritance taxes should be abolished' (Baker, Treasury Committee, 2020b, Q339).

During the hearing, the support for the key proposal from one of the Commissioners appeared muted. Advani stated that:

> Let me disclaim being a proponent of a wealth tax. The project that we have been doing is studying how you could make it happen if you wanted to. We are not there to say either it is a brilliant idea and we are trying to make you do it or saying you should not (Advani, Treasury Committee, 2020b, Q286).

The Wealth Tax Commission picks the need to raise revenue as its main case for reform. Chamberlain admitted to initial doubts that a one-off wealth tax could raise this revenue (Chamberlain, Treasury Committee, 2020b, Q286).

An alternative way of raising money is to reform existing taxes rather than introduce a wealth tax. In his evidence to the Committee Troup suggested that the most efficient way of raising more money is to reform the largest taxes. In 2019-2020, income tax (26%), National Insurance (20%) and VAT (20%) raised around two-thirds of government tax receipts (Treasury Committee, 2021a). Troup stated that:

> The case and the justification for the wealth tax and the complexity it would introduce is not justified on revenue-raising grounds ... Putting up the rate of VAT or, indeed, income tax by 1% is the easiest thing ever for HMRC. It just turns a tap and produces new money with relatively little complexity or difficulty (Troup, Treasury Committee, 2020b, Q283).

Wealth inequality

The Wealth Tax Commission's report distances itself from an aim of using this tax to cut wealth inequality: 'We do not take any position on whether the government should use tax policy actively to reduce wealth inequality. *If* this were the government's aim, there are limits to the extent of redistribution that

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can be achieved using existing taxes on wealth, even after reform' (Advani *et al.*, 2020b, 11, italics in original).

Conservative MP Anthony Browne probed the issue of wealth inequality as he asked if Advani agreed that wealth inequality had been falling for much of the twentieth century and was fairly stable over the past 30 years (Browne, Treasury Committee, 2020b, Q306).

Advani accepted that the trend of wealth inequality had fallen over the century but added that inequality of income was widening. The Treasury Committee also considered whether wealth taxes might cut wealth inequality. Advani noted that wealth taxes had not usually been designed to achieve that goal. He continued that he was not saying that a wealth tax should be used to cut wealth inequality and that doing so might involve other taxes on wealth (Advani, Treasury Committee, 2020b, Q296).

The Treasury Committee's inquiry report

The Treasury Committee published its inquiry report noting that raising taxes is not an immediate priority. It stated that it is more important at the moment to sustain the economic recovery (Treasury Committee, 2021b).

However, the Treasury Committee pointed to a need to consider tax reforms in the more medium and long term future. The inquiry report makes a set of recommendations about reforming existing taxes such as income tax, National Insurance and capital gains tax. It says that the state of public finances will put pressure on the Conservatives to revisit their 2019 manifesto pledge not to raise income tax, National Insurance or VAT (Conservative Party, 2019).

The inquiry report rules out any annual wealth tax: 'We believe that the development and administration of an annual wealth tax would be extremely challenging, and we note that other countries have abolished such a tax in recent years. We would not recommend an annual wealth tax' (Treasury Committee, 2021b, 74). The inquiry report recorded that there was more support for a one-off wealth tax and suggested that it could raise substantial revenue. But, the report highlighted reservations from witnesses that there was a danger that a one-off tax might be repeated in the future.

The UK government response to the Treasury Committee report was published on 2 June 2021. In a covering letter, the Financial Secretary to the Treasury Jesse Norman stated that the government's priority was to secure a durable economic recovery and now is not the time to raise taxes. He commented that the: 'balance of recommendations in the report leans away from measures that would help repair the public finances in the coming years' (Treasury Committee, 2021c: 10). The Treasury Committee disputed this observation and highlighted a need to raise revenue. It added that although it did not advocate a one-off wealth tax it did not rule this out in all situations. In an unusual move, the Treasury Committee asked the Government to publish another response, as it was not satisfied with the initial Government response (Treasury Committee, 2021c).

The Government published a second response to the report on 14 September 2021. The response was a brief one page response focused solely on tax strategy. It declared that the Government was not in favour of publishing such a strategy as it hampered its capacity to respond to changing events. No mention was made of a wealth tax or any other revenue raising measures (Treasury Committee, 2021d).

Discussion

Previous research into taxes on wealth highlight the importance of developing a strong narrative in favour of reform (Alt *et al.*, 2010; Glennerster, 2012; Graetz and Shapiro, 2005; Rowlingson, 2008; Tetlow *et al.*, 2020). Although the Wealth Tax Commission discusses tax design well, the case for reform is arguably lacking. The Wealth Tax Commission bases its case for a one-off tax on a crisis facing the public finances. But, this rationale is challenged by the argument that historically low interest rates and low costs of servicing debt mean that it is more important now to secure the recovery than raise taxes to cut the budget deficit (Johnson *et al.*, 2021).

An alternative approach would be to focus more heavily on wealth inequality. The Wealth Tax Commission avoids delving into such debates. As noted above, evidence exists which suggests that there is public support for a wealth tax over other types of taxes on wealth (Chirvi and Schneider, 2020; Fisman *et al.*, 2020; Sands and de Kadt, 2020). Indeed, the public opinion research that it commissioned suggests that this might be a promising route for building public support for reform (Rowlingson *et al.*, 2020). The Wealth Tax Commission's media strategy did not choose to develop this narrative and instead fixed mainly on the public finances frame.

There were also limitations with how the Wealth Tax Commission engaged with the policy process. The Wealth Tax Commission did engage directly with policy-makers through the Treasury Committee's Tax after coronavirus inquiry. Arguably though this was a missed opportunity as there was a need to press a stronger case for the key proposal for a one-off tax. The Treasury Committee did not recommend a one-off wealth tax but did not rule it out either. There was a chance to persuade these Parliamentarians to support such a tax with a case that carried more conviction. One of the public inquiries that the Treasury Committee has launched since the Tax after coronavirus inquiry is one examining an Equal Recovery after Covid-19 (https://committees.parliament.uk/work/1218/an-equal-recovery/). This highlights policy interest in equality and could be a route for reform.

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Conclusion

Persuading politicians to introduce or raise taxes is always difficult. Politicians may be understandably reluctant to reform taxes because they can expect a backlash from the losers from reform and get little or no credit from the winners. This tyranny of the status does not rule out tax reform entirely. But, it does highlight the importance of framing as well as engagement with the policy process.

These general problems are acute for taxes on wealth. Many proposals to tax wealth have made little progress beyond the policy pamphlet. This paper has looked at the case of the Wealth Tax Commission's proposal for a wealth tax. This paper suggests that the case was framed by linking it to Covid-19 and a crisis of public revenue. A problem with this is that the task of repairing the public finances is not urgent and it would be better to make explicit case linking it to wealth inequality. This might include statistics but also needs a strong narrative of why change is needed.

This paper also claims that the Wealth Tax Commission avoided pressing its case when given the opportunity to do so. Boosting the chances for reform means engaging more strongly and being less equivocal about the merits of a wealth tax. Without this, the latest call for greater taxes on wealth will add to the stock of unused ideas.

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Competing interests

The author(s) declare none.

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