

Tory tax on property is perfect for the Piketty age

There is nothing more potent in politics than a party doing the opposite of what voters cynically expect of them

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A time traveller to modern Britain from the mid-20th century would not shake a righteous fist at the inequality we tolerate nowadays. They would be too busy gawping at pocket-sized phones that double up as televisions and fall within most people's budgets. Then they would take the chance to fly to Spain for the price of a haircut, or buy a cotton shirt for loose change, or do a world tour of cuisines without leaving the high street. It is the carnival of choice that would mesmerise our visitor from the dowdy past, not the existence of an overclass.

This kind of progress is taken as given by Thomas Piketty and other egalitarians. In his book *Capital in the Twenty-First Century*, the economist du jour shows that, after some narrowing in the postwar decades, inequality has returned to Victorian depths as the proceeds of capital outstrip growth around the world. The weight of evidence is crushing. But he is sketchier on first principles. He does not explain why inequality matters as long as its source – the market – also generates products and technologies that raise the absolute quality of life of ordinary people. A typical British worker in 1960 earned a wage closer to that of his company boss than the typical British worker of today. But whose lifestyle would you prefer?

The right's response to the new egalitarianism oscillates from mute resentment to jabbering incoherence. A smarter riposte would start by challenging the premise that inequality is the final word on a society's goodness. A country can be

equal and dismal. Markets bring wonders as well as stratification.

The best rebuttal to Mr Piketty is the "rational optimism" of Matt Ridley, the Conservative peer and author, who argues that trade has improved everything from our caloric intake to our privacy. George Osborne is another Tory whose sanguine view of markets marks him out as more liberal than conservative. The chancellor's speech to the American Enterprise Institute last month, which sought to debunk the twin panics of technological stagnation and middle-class decline, was as much a statement of his worldview as anything he has said about fiscal austerity.

Rational optimism should be the start of the Conservative response to Mr Piketty, then, but it cannot be the end of it. Inequality of earned income is one thing. Gross inequalities that flow from capital accumulation, especially of the inherited variety, are not something the right should defend. When Margaret Thatcher began her premiership 35 years ago this week, she was not aiming for a rentier economy of guileless property millionaires in which the most valuable skill is the cosmic luck to be born into the right family. Her service to her country was to save it from shambolic corporatism. But she also wanted to replace it with popular capitalism.

So the second half of the right's response must be to concede this part of the egalitarian argument, and to act. Mr Piketty wants a global tax on wealth. But of course he does. More plausible is a gradual shift in the profile of national taxation from income to assets. In Britain, with the institutionalised pathology it calls a housing market, this means a property tax. This might be levied at the point of sale or charged annually. The tax might be incurred by houses worth more than, say, £1m (too low, some will grumble, but actually four times the average

house price). The revenue would pay for the kind of tax cuts for which the coalition government has already shown some fervour: the rise in the personal allowance, the steady fall in corporation tax, the easing of national insurance. All incentives to work and create.

Whatever its precise contours, some kind of property tax is going to happen. The Labour opposition is open to the idea. The Liberal Democrats have been keen for years. The Conservatives almost agreed such a tax with them before the 2012 Budget but David Cameron, the prime minister, nixed the deal. So the Tories face a quandary that will influence how they are seen for decades. If they resist a property tax, their reputation as custodians of entrenched wealth will calcify and pass on to another generation. They will also leave the left to craft a tax that will supplement, not offset, income taxes.

If, however, the Conservatives become the pioneers of a property tax, it will disrupt their image at a stroke. There is nothing more potent in politics than a party doing the opposite of what voters cynically expect of them. The Tories are specialists in the incongruous gesture. Harold Macmillan retained most of the welfare state as prime minister in the 1950s. Benjamin Disraeli helped to extend the voting franchise to the working class in the Victorian age.

A Tory tax on property, one that lightens the burden on workers and entrepreneurs, has the same potential to shock and impress. Mr Cameron recently suggested that he would honour an old promise to ease inheritance tax. A Conservative in the age of Piketty should do the opposite.

La tassa dei Tory sulle proprietà immobiliari è perfetta per l'epoca di Piketty

