

1381 REVISITED: THE TRAGEDY OF THE POLL TAX

**Libertarian
Alliance**

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Which Russian general declared that he liked to clear a minefield by marching a platoon of infantry through it?

As March 1990 draws to a close, the British people are the infantry which refuses to march. Mrs. Thatcher and her government have sown the minefield of the Poll Tax and it looks as if they are the ones who will be blown up on the long march ahead.

After eleven years in power, the Conservatives have utterly failed to cut the Gordian knot of local government, despite the awesome powers of big majorities in the sovereign Mother of Parliaments, despite access to the brightest advisers and most distinguished think-tanks, and despite the low esteem, bordering on contempt, in which local government is held by the ordinary voter.

Yet it is precisely to this ordinary voter that, in their desperation, our rulers have turned!

"We have failed," they concede, "to get local government and its ruinous cost off your backs, so we will impose on you a brand new tax, to encourage you to do the job for us of getting your Councils to tax you less!"

But this is Britain, not Russia, and the response has been four-lettered and unprintable.

REPLACING ONE UNFAIR TAX WITH ANOTHER

How could this government, which promised to make the philosophy of freedom and enterprise relevant to the small man, the ordinary man, forget the errors of 1381 and seek to

make precisely that man pay tax at levels that he cannot affect, to feed a monster that he cannot restrain?

Before looking at the problems with Poll Tax in the abstract, we must recognise that this is a political issue: a government response to a specific political problem. Such responses usually beget the most objectionable acts of government, and the Poll Tax is no exception. I cannot recall any Conservative spokesman claiming that it fits into any system of principle, but if any makes such a claim, then it would be interesting to see which system. At present I can only identify Legal Positivism: "The Poll Tax is fair and manageable because I say it is; it will work, because I say it will; and we will be re-elected because of the two foregoing."

The colossal political blunder that the Conservatives have committed is to combine the supine acquiescence of the "wets" and local government lobby in the present functions and scope of local government, the lack of political savvy and historical perspective of think-tank crackpots, and the belief in the primacy of "democracy" in shaping institutions of Ken Livingstone.

Mrs. Thatcher's victorious manifesto in 1979 pledged to abolish rates. They were a bad, unfair tax, and put lots of perfectly decent people under the arbitrary taxation powers of the Robber Barons of Local Government. As domestic rates only accounted for about a quarter of the total spending of the local authorities, a reforming incoming administration could well hope to knock out this whole tax outright by cutting out some of the waste and nonsense.

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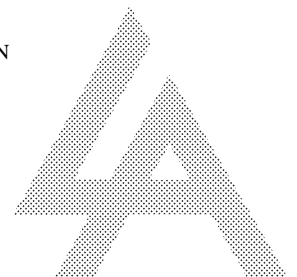
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FOR LIFE, LIBERTY AND PROPERTY



But it did not of course! Libertarians should be very well aware of the reasons why not, as the Public Choice school has done much patient work pointing to the resilience of institutions such as local authorities when faced with attempts at reform. Vested interests will put up a formidable barrage of propaganda and guerrilla tactics, while potential beneficiaries will be badly organised if not positively unknown.

The cry of "Democracy!" was a particularly effective counter to attempts at curtailing local government, particularly in Ken Livingstone's campaign against abolition of the GLC. "Say No to No Say" was temporarily a winning battle-cry for Red Ken, but he was abolished anyway, and despite seeming to have destroyed Mrs. Thatcher's support in London for a while in the mid-eighties, he is not now missed. In fact in the 1987 general election London defied the national trend and delivered two extra seats to the Conservatives. Both these were traditional Labour seats but in areas where local government was a burning issue. (Battersea was in exemplary, low-rated Conservative-ruled Wandsworth, Walthamstow was in Waltham Forest which had just suffered a huge rates increase from an incoming Labour council.)

The message was that a radical policy ("Don't negotiate, just abolish") had worked politically. However, the government had already embarked down the fateful road to tragedy.

Prematurely judging that the Red Ken "Democracy" campaign had been successful, the government capitulated! The decision to throw the ball back to the voters and give the "democratic process" the job for which the government had lost the stomach was enshrined in the manifesto of 1987.

THE RECORD OF THE "WETS"

Even then, the real political lessons could have been absorbed and the Poll Tax quietly dropped. I had campaigned in that election while hoping that the hideous tax would be strangled at birth, and I have argued for its strangulation ever since. The sensible voter may well have felt as I did and chosen to accept the better package while hoping that reason would prevail on the ugly bits. But now a group of protagonists appear in the story who would love to escape blame but cannot.

The newly elected 375 Conservative MPs had every reason to be grateful to their leaders, but despite being extraordinarily fractious and carping about such ridiculous "concerns" as the non-indexation of child benefit, they were unable to muster the objectivity, foresight and nerve to prevent the imposition of a hideous tax which would devastate the budgets of the very people whose conversion to Conservatism had ensured the election of such a large number of them.

Despite a few whimpering "rebellions" and the normal hand-wringing of the "wets", the Poll Tax was enshrined on the Statute Book by courtesy of a caucus of Conservative MPs which never made a serious attempt to look at the problem through the correct end of the telescope. No-one seriously doubted that local government should be spending its £45 billion. (Add on the expenditure of the Scottish, Welsh, and Northern Irish ministries and you have a sum greater than the whole revenue from Income Tax.)

No-one pointed out that what was really under negotiation was how to go on paying for the greater part of the socialist

system that we live under in the United Kingdom. No MP, talking *ad nauseam* of "local services", pointed out that such services do not exist. No-one said: "But the emperor has no clothes!"

For the record the "wets", who are prominent doubters today (although their names are almost all absent from the rolls of the "Noes" when it mattered), were fulsome in their praise of local government in principle, and unquestioning of its scope and functions. If the leadership of the Conservatives should change and the philosophy of the Heath years return, the likely outcome would be fully-salaried councillors, directly-elected mayors and further progress towards mini-republic status for councils, with, of course, a vast increase in their cost, to be borne probably by rapidly rising taxes on incomes.

POLITICIANS ENMESHED IN BIG GOVERNMENT

If you wonder what local authorities would do under Labour, do not take my word for anything. Come to Southwark.

My Poll Tax bill hit my doormat this morning, March 27th 1990. The horrible tax is now with us, and the price is being paid. Conservative seats are falling up and down the land and records are falling just as fast - for the size of voting swing against the party which hoped that the new system would sweep its representatives into the council chambers.

The first and foremost defect of the Poll Tax is the catastrophically misjudged political effect. Its authors made the mistake of thinking that voters rationally calculate their material advantage. In fact, people vote (or fail to vote) according to mood, habit, prejudice, anger, the weather, the choice on television, whether the candidate came to see them (a possible negative as much as a positive - they might not have liked him), and many other things besides. Experienced politicians should certainly know this, but I fear that modern government tends to produce men who are much too busy.

Whereas the politician of 150 years ago might have attended Parliament a dozen times a year, today's will have an endless round of Parliamentary business, constituency surgeries and meetings, and, if he is in the government, a demanding office job as well. He is enmeshed in the minutiae of Big Government, whereas his predecessor not only had leisure to chat at length with less exalted people, but also the chance to reflect upon philosophical issues. Arthur Balfour, in our own century, produced writings of philosophical and theological speculation while being in and out of the highest offices of state. Today's politician produces a "book", certainly, but it is an embarrassing, often ghost-written, manifesto.

Apart from the effect on voting intentions, the Poll Tax has had the opposite effect on Council spending to that hoped for by its authors. Councils are spending more because in the battle for credibility with the government, they have an overwhelming temporary advantage which they are determined to use to the full.

A NEW SURGE OF SPENDING

Not one elector and probably not one minister understands the labyrinthine rules which govern the trade-off between

local and central government, and which have been altered in complex legislation every year since Mrs. Thatcher took office. Usually, the Conservatives have had the worst of the propaganda struggle, if only because the Councils have such an array of propaganda outlets open to them: free “news-papers” on the rates, their own libraries and schools as nerve-centres of dissemination, dependent local newspapers, and the opportunities afforded by having a third of the population as tenants of their estates.

Now, however, the wave of anger over Poll Tax gives Councils the chance to blame the Conservative government for anything they like, and they have taken it.

Due to the “gearing” of Poll Tax, the increase in spending produces a disproportionate increase in the Tax, thus Poll Tax is 30% higher overall than government estimates. If Ministers think this reflects principally on the councils, they have miscalculated further. The government estimates themselves are discredited, as it was widely expected that they would be. Since most voters do not think that government Ministers could be taken in by their own wishful thinking (although I have my doubts about that) they assumed that an evil plot was hatched to con them.

Thus local government has got a brand new tax which has released it from constraint and fuelled a new surge in spending, while the blame has gone to the Conservative government. This is no place to examine in detail how the money is spent: that would take a book, and a very scandalous book it would be too.

Suffice it to say that the notion of “local services”, which alone could legitimise the idea of Poll Tax as a “Community Charge”, is nonsense. As a Southwark householder I receive rubbish collection worth about 25p a week. In the hot weather of 1988 and of 1989 I did not even get that, for a spell of four weeks or so. Their excuse? In 1988 they didn’t know I existed, although I notice my rates were payable from when I arrived. And then in 1989 they were ... rate-capped! “We have to cut something so we’ve sacked your dustmen!”

For this, Southwark is to receive about £3,000 per annum from my household, part of that directly from the government as “transitional relief”, although I am expected to pay it all eventually.

Undeniably, Southwark provide this and other items which could in some way be valuable, but if I am not free to assess what their value is to me, and to decide whether or not to contract for those items, then they are equivalent to the services of the kind of state which shoots you and sends your body to your relatives with a bill for the bullet.

Consent is everything. Sex can be a service, but rape, never.

ALL TAXATION SYSTEMS ARE A COMPROMISE

Poll Tax, then, is not a charge of any sort, but another tax, which must be seen as part of an overall scheme of taxation which ought itself to have some coherence. The fact that it does not amply demonstrates the dangers of hypothecated taxation. The Treasury does not normally like taxes that are labelled as being for a particular purpose, because it is too easy to measure such taxes against that purpose rather than against more general criteria.

The mass of the electorate also tends to take an overall view of taxation, and judges its fairness according to how the total burden falls. That is not to say that attitudes such as “Lord Vestey has an Argentine trust and pays nothing while I pay everything”, and “I pay my income tax so I have already paid for my state healthcare and pension” do not coincide in a distressingly large number of individuals. In fact, the ease with which people can become confused about what is “fair” and what is not points to the absolute necessity for a taxation scheme that is even and readily understood by application of some overall principle.

Hayek, in *The Constitution of Liberty*, considers that the best scheme of taxation makes each person pay the same *proportion* of his income. This does not actually mean that the *rate* of tax must be the same for all incomes if indirect taxation is also imposed, for indirect taxation itself is not proportional. In general, the poorer person is expected to spend a greater proportion of his income and therefore be taxed more in proportion to it. A scheme which allows some progressive increase in the *rate* of income tax, but only such as would balance the regressive effect of indirect taxation, would be ideal.

Difficulties in constructing such a scheme suggest that a uniform rate applying to all incomes above a certain level, with low indirect taxation and a tax-free exemption for the lowest incomes, would be a good compromise. And all taxation systems are a compromise for tax is theft.

However, it is generally agreed that a frankly regressive system is most undesirable. We already had a system that was regressive at parts of the income range, because with loss of state benefits and liability to taxes, a man might have to pay marginal rates in excess of Higher Rate Tax. The advent of Poll Tax makes this situation very much worse. The rebate system complicates the issue, but the incidence of the tax on the man just above the benefit level is very harsh, and a graph illustrating the overall tax burden at each level of income would not show any logical progression.

Many a family is faced with finding sums of money that they never dream of seeing in their hands. Millions of people are so tightly budgeted at this time of high mortgage rates that the Poll Tax will simply take everything and more that they had budgeted to live on. For millions more, it will take the icing on the cake, the reward that they were really working for. For example, the groceries will still be bought, and the children’s shoes, but the annual holiday will have to be sacrificed, or the savings steadily being put by for a daughter’s wedding will have to be cut down.

These effects will occur because the Poll Tax is a classically regressive tax, taking a larger proportion from smaller incomes than from greater.

It is no answer to say that the very poorest can claim rebates. The average family cannot, and those who can may well be forced to go cap in hand to the state for the first time in their lives. For the rebate is a state benefit like any other, and requires the same demeaning filling in of forms and the revealing of all kinds of personal details.

I have heard of war veterans reduced to tears of rage and bafflement by having to face claiming benefit for the first time in a lifetime of independence, or by finding that their modest life savings with which they have carefully budgeted for their final years and funeral must be raided to pay the Poll Tax.

After eleven years in office, the Conservative Party has not been able to sell the concept of proportional taxation, indeed most Party representatives now want progressive taxation reinforced by further increases. I hear no clamour for the adoption of proportionality, indeed the outcry from the bishops and socialist establishment which greeted the reduction of Higher Rate Tax from 60% to 40% seems to have killed off any enthusiasm for it among Conservatives. Yet a sudden lurch to *regressive* taxation seems to have been accomplished without serious opposition. So we have penal taxation on effort and enterprise at the higher end of the scale, and at the lower end, penal taxation on existence.

THE FINAL TRIUMPH OF THE STATE

For that is what Poll Tax is. Income Tax taxes income, Rates taxed the occupation of property as a householder, VAT taxes spending. In each case, you could make some choices which could minimise or avoid the tax. However Poll Tax is a tax on the right to breathe. You cannot evade it; you may go to the state for a rebate or pay at a reduced rate if you are a student or on benefit, but the only way to put yourself beyond its scope altogether is by dying.

As such it represents the final triumph of the state: no-one is to escape, the apologists of the tax have said so: "Everyone must pay something!"

It seeks to invalidate the lifestyles of the vagrant and itinerant, and puts in a new light the social engineering initiatives of Mrs. Thatcher's government. Not only are encouragements to be given to those who conform to the middle-class blue-print, but now penalties are to be meted out to any with the temerity to reject it. Previously, proto-Thatcherism could theoretically appeal to the itinerant worker, the reclusive artist, the man for whom the life of the community was meaningless and the life of the individual was everything, because it seemed to be a doctrine about freedom. Now it must alienate all of those, because it is revealed as a doctrine about social engineering.

In this context, the choice of "Community Charge" as the label on the new tax is revealing of a profoundly socialist belief that every citizen owes something to the "community".

Of course a whole new panoply of state powers to snoop and tabulate come with the new system. Before, you did not have to reveal who lived in your house, or whether anyone did. If you paid rates that was as much as you would be asked, but no longer. It becomes a punishable offence not to reveal the names of yourself and all who live with you. So now we are all "registered" at our address, like the citizens of a totalitarian state.

The cost of this exercise alone invalidates Poll Tax as an efficient tax. Costing three times as much to collect and administer as Rates, it vastly increases the army of town hall bureaucrats who must be fed out of the revenues of local government.

NEW POLITICAL SIGNALS

A further totalitarian connotation must not escape notice. The purpose of the whole new system was to get the voters to vote for lower-spending councils, which the government hoped would be Conservative, forgetting that there is all too often nothing to choose between socialists with a blue label and those with a red. What is to happen to the unhappy

citizen in a district which votes the wrong way? Why, he is to be punished with a high Poll Tax indefinitely. Quite apart from the injustice meted out to someone whose vote for a low-spending council never outweighs the votes for a high-spending one, is it right that taxation should vary as collective punishment for voting a particular way? Before the 1872 Ballot Act, it was common practice to bribe, threaten and cajole the voters. Ballot secrecy made that much harder, but is the practice not now re-emerging with intimidation of districts replacing intimidation of individual voters?

It is also most undesirable to introduce new political signals to operate alongside purely economic ones. That is to say, the demands of the economy are more likely to be satisfied if the economic signals internalised in the price mechanism represent true economic wants, and not random political vagaries. If a joiner goes to live in Hexham because his disposable income could be maximised there, it could under the present system be the result of relative Poll Tax levels, whereas the demand for his services might be the greatest in the Surrey Docks. Wages might be substantially higher there, but the overall tax burden could disguise the economic signal and lead to a mis-use of the resource of the man's skill.

The same objection applies to the massive manipulation intended by the new Business Rate. The government has chosen to redistribute the total revenue of Business Rates on a nationwide basis, with a bias in favour of "regeneration" of low-value areas and penalising high-value ones. The result is a catastrophe for business in London, for example, where a huge swathe of businesses will become uneconomic for no economic reason. This colossal blunder deserves a separate paper to itself, but it is worth pointing out that it makes a nonsense of Ministerial claims that the Poll Tax was necessary in order to avoid the pain of Rates Revaluation. Businesses are having the pain anyway, and for many it will be terminal.

THE CONTINUING STRUGGLE

The tragedy of the Poll Tax, and its ugly sister the Unified Business Rate, is that it will destroy the "Thatcherite Experiment" and replace it with a renewed onslaught of socialism, unless there is a fundamental rethink. There will be no automatic swing back to the Conservatives as they hope, because unlike over previous issues causing "mid-term blues" Mrs. Thatcher, and her backbenchers, are wrong on this issue, and can only save themselves by radical action.

"What radical action?" you can hear them cry. "What alternative is there? Won't it settle down when people get used to it, and the snags are ironed out?"

Ask the man who bought his council house in 1988, with a hefty mortgage, two teenagers, and the wife's mother at home, being asked for £2,000 today, rising to £5,000 in three years. Do not ask him to throw out his children and mother-in-law, but throw the whole family a life-line.

Make the councils justify their service charges, and make them optional.

The ideological struggle against socialism has hardly been fought, but the Conservatives have been losing it. They need to stop finding ways to pay for socialism, and renew the struggle.

Meanwhile, clear the minefield - scrap the Poll Tax!