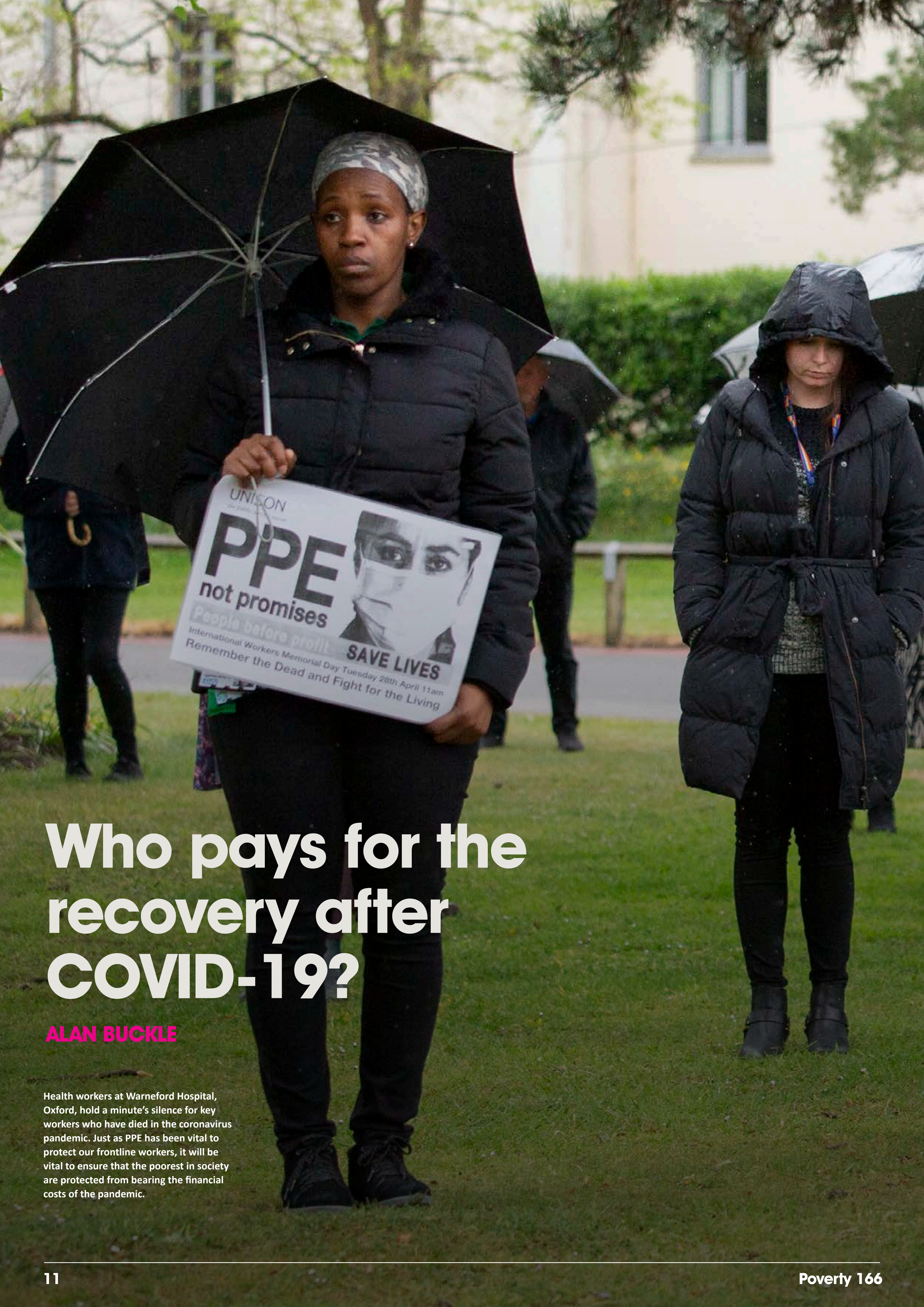


# Who pays for the recovery after COVID-19?

ALAN BUCKLE

**Health workers at Warneford Hospital, Oxford, hold a minute's silence for key workers who have died in the coronavirus pandemic. Just as PPE has been vital to protect our frontline workers, it will be vital to ensure that the poorest in society are protected from bearing the financial costs of the pandemic.**

**The government spending we have seen in recent months has been necessary and welcome. But how will we as a country pay for this spending? We need a public debate about who will pay for the costs that the country is facing as a result of the pandemic.**

At the peak of the financial crisis in 2007, we witnessed extraordinary conversations as the banks lobbied to defend themselves from the crisis that they largely created. While public anger at the time gave the politicians permission for radical and fair measures, the banking and business lobby worked hard and fast to defend their patch. You can imagine the arguments: "Don't overreact…keep regulation 'light touch'…be careful not to drive the 'wealth creators' away…don't kill the golden goose of the City of London". These pleadings were heard. The banks were rescued, the City boomed again. The villainous HBoS had become the friendly Lloyds Bank, complete with sleek black horse. RBS quietly slipped away and returned as NatWest, a throwback to duller and more decent times.

Then, under the coalition government came the reckoning. In the 10 years that followed the crisis, social security has been cut by some £40 billion a year. The poorest 10 per cent of families with children have lost an extraordinary 20 per cent of their income. The price has been paid most painfully by poorer people. Cuts in public services far outweighed increases in taxes. There have been some tax increases but the rich largely escaped. The government increased rates of VAT, which is paid disproportionately by people on low incomes, and also decreased the rate of corporation tax. Tax breaks for capital gains and inheritance tax were increased. Tax breaks for wealthy investors increased with a whole buffet of ISAs – plain vanilla ISAs, lifetime ISAs, help to buy ISAs and junior ISAs.

In the last few weeks, the government has shown impressive boldness in its rescue and stimulus plan. But as things gradually return to normal, conversations will turn to how the £300 billion bill will be paid. Some will say it is too early to think about these things and perhaps a touch distasteful. Of course, this is not the time to microscopically set out how we will manage the aftermath of the virus, but it is certainly the time to set some broad principles.

Social media is buzzing with anxiety, compassion, concern and, perhaps most of all, a sense of community. We are ready for a public conversation about what is fair and reasonable. Encouragingly, we have already heard the chancellor hint that we really are all in this together, but haven't we heard that before? We mustn't let things slip as we did after the financial crisis. This is absolutely the right time for the government to set out some broad principles for the financial recovery. Here are three suggestions:

**First, emergency taxes.** We should recognise that for a temporary period of perhaps three years, there will need to be emergency taxes for the highest paid and for big businesses. Many companies, such as food retailers and online businesses, will have had higher profits through good luck and need to pay their share. The wealthy may end up with more wealth rather than less since they ride the recovery of financial markets. They have access to the best information and advice and are able to buy in at the bottom and profit as financial markets recover.

**Second, reform social security.** The government's readiness to support people during periods of sickness or enforced lockdown should be a guide to transforming our social security system.

**"The middle classes have realised just how tough it is to be hit by a sudden drop of income, just how mean and unresponsive the universal credit regime is, and just how hard it is to survive on nothing when the bureaucratic computer says "no".**

So, we should end waiting times for universal credit and reverse the extreme cuts of the last 10 years. This should be paid for by uncapping national insurance contributions for higher earners, which ensure that better off people pay a lower share of their income than the less well off.

*Are our public coffers empty, like supermarket shelves during lockdown, due to a genuine lack or resources or a mismanaged wealth redistribution system?*

**Third, prioritise UK investment.** There will be a need for huge investment in the UK economy. Better off taxpayers are subsidised by tax breaks approaching £80 billion a year as they invest in their pensions, ISAs and so on. We should insist that these breaks are only available to those who purchase government bonds or, better still, who contribute to a national recovery fund that can invest directly in UK businesses damaged by the virus. As many have argued, the government should be investing in struggling businesses rather than giving bailouts with no strings attached.

After the second world war, the public thanked Winston Churchill, who had led the all-party government as we won the war, before turning to Clement Atlee to win the peace. People were not prepared to return to the financial misery of the inter-war years. Atlee established the NHS, for which we are now all even more grateful than ever, and laid the foundation for strong public services and a fairer Britain. It seems likely that Boris Johnson will lead us through and after the pandemic. He may have been seen as a bit slow off the mark when the coronavirus crisis began but now has the chance to get ahead. He should establish firm principles now so that we come out of the pandemic with clear and fair plans for recovery.

*ALAN BUCKLE became chair of CPAG in 2016. He was deputy chair and chief executive of KPMG International until 2013, and he worked in more than 50 countries and advised a range of international companies and governments. Alan is a trustee of the Tax Justice Network.*