

Should we have a 50% tax rate?

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William Keegan in [the Observer](#) said:

For example, [the Conservatives] are viscerally opposed to a 50% top rate of tax, but such is the gravity of the fiscal crisis they for some reason wish to inherit that in the immediate aftermath of the budget they could not bring themselves to pledge a reversal.

This reluctance to foreswear a potential source of revenue is somewhat inconsistent with the view that "It won't raise much revenue anyway". I am reminded of the time when, the day after his 1988 budget, Nigel Lawson claimed that reducing the top rate of income tax from 60p to 40p would not cost anything and might indeed raise revenue via incentive effects. That pious hope was not borne out by subsequent Inland Revenue accounts.

And what do I think of that 50p top rate? Well, dear reader, since you ask, I think it should have been introduced in 1997, when the country was under the forgivable illusion that it had elected a Labour government. As a well-heeled friend says: "I should have been happy years ago to pay a higher rate to finance better schools and hospitals, but I object to being made part of a package to bail out bankers.

Quite so.

But let's also be clear: forget the hullabaloo about the justice of this. Let's also forget discussion about the practicality of this. It can be made to work. The only real question is why a Labour government did not do it in 1997. And why a Labour government cut the base rate rather than cut borrowing since then. And why a Labour government has cut capital gains tax so much since then.

None of those cuts were needed. Think where we'd be without them.