

# Sticking plasters will not solve real intergenerational...

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The Resolution Foundation is the latest progressive think tank to issue a sticking plaster report. According to [many reports](#) this morning its intergenerational commission is making a series of what, I hate to say, look to be pretty misguided recommendations today.

First it is saying that each 25 year old should get a £10,000 lump sum from the state.

Second it is saying changes to inheritance tax should fund this.

Third it is saying that those who work over the age of 65 should be made to pay national insurance to help fund the NHS.

I am sure there is more to the report than this, but headlines matter and these do not sell well, for quite fundamental reasons.

First, why 25? What's so magic about being 25? Why not create a right to Universal Basic Capital, to be claimed once in life, of at least £10,000? Then make clear that it has to be used for a purpose: housing, education, creating a business, paying for training or whatever. Of course it could still be abused. But that's a risk worth taking. And if the application required an explanation as to what the funds were to be used for (with assistance to be provided for those who would need help making such a claim) then that risk would be minimised and the return maximised. And this then becomes linked to opportunity, and not just an arbitrary date long used by the families of the wealthy to indicate the time when the younger generation got their hands on their trust funds.

Second, why £10,000? And why in a lump? Why not be considerably more creative - and allow a phased pay down as well if all is not required at once? And why not allow more when the case can be made?

Third, let's not pretend this does anything very much re housing: it simply does not. Or education debt come to that, where it is mere tinkering. It has to be something else then.

And fourth, please let's stop the left being obsessed with the 'How are you going to pay for it?' argument. Let's be clear that nearly 35% of any such grant would be paid for by the tax paid when it is spent - because spent it will be, and overall that's the likely tax that will be paid by the first recipient of the spend. But as they spend the receipt that recovery will grow. This grant does not need to be paid for with Inheritance Tax: it will pay for itself with tax generated by it being spent.

Fifth, if you want to tax inheritances justify it in its own right to reduce wealth and to address the issue of inequality - not to say it pays for something, when it (like all tax) never pays for government spending.

And last, stop the nonsense that NIC pays for the NHS, and stop too the nonsense spouted by David Willetts on the Today programme this morning, who said that it was unfair that the NHS should be paid for by those of working age. Apart from the fact that is it not paid for by them, what he should have said is that it is wholly unfair that work is taxed considerably more heavily in the UK than investment income, which carries no NIC at all, can be diverted into low rate capital gains for which there is a second effective personal allowance a year, and which also has very high rates of non-declaration. Instead of simply piling extra tax on other workers, which bizarrely is the Resolution Foundation solution (making it look very non-progressive indeed) the answer is to increase CGT, create an investment income surcharge of 15% extra income tax on investment income of more than £5,000 a year (effectively extending the so called dividend tax to all investment income) and to cut the CGT allowance, considerably. Those measures target inequality and would happen to raise considerable revenue.

That would be progressive. Right now I have to say I see very little progressive about the Resolution Foundation proposals. It is instead another attempt at electoral triangulation that will really not solve any problem, and most likely create new ones needing fairly rapid correction.

We really do deserve some decent thinking on tax. This is not it. Sticking plaster will not do.