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# Budget 2015: how can Tories square welfare cuts with claim to be 'party of social justice'?

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Budget day: why wait a year for the next one? EPA

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David Cameron opened his statement to the first cabinet meeting of the newly elected government on May 12 by outlining his party's mission to deliver "social justice and genuine compassion". He said that wide-ranging reforms in education and welfare should be implemented with "the forethought of increasing equality".

It was an interesting use of the term social justice. It gave more than a passing nod to the ideas of both the US moral philosopher John Rawls and others, especially the message of increasing equality – something the other big political parties were not keen to push forward in either their manifestos or on the hustings.

Yet when George Osborne unveils his second budget of 2015 on July 8, he will outline details of how he plans to take £12bn out of the welfare budget by 2018. This is part of the plans in the Conservative manifesto to cut government spending by £30bn, with other priority areas for cuts including departmental savings and closing tax loopholes. It begs an obvious question: can the planned welfare cuts be reconciled with the new government's egalitarian rhetoric or not?

## The story so far

So far the government has only provided details of how it will find around £1.5bn of savings from the UK's £220bn social security budget (mainly through a two-year freeze in working-age benefits). With £107bn of that total spent on pensioners and child benefit and ring-fenced for the life of this parliament, the savings amount to 11% of the rest. Various commentators have said that the scale of such cuts will involve the government looking at child tax credit, housing benefit and disability allowances.

Meanwhile Osborne has already stated that a primary aim of the Tory tax reforms is to lift the 40p threshold for income tax to earnings of £50,000. There are also plans to review the inheritance tax rules to shelter inheritance below £1m from the taxman, compared to a tax-free £325,000 per inheritor at present. These are both tax cuts that will benefit relatively wealthy people.

Raising the income tax threshold also negates the benefit of Conservative policy to aggressively increase people's personal tax-free allowances to £12,500, since it means that the burden that falls on people of different income levels remains comparatively the same.

## How we justify taxation

There are three generally accepted reasons for taxation, all of which must be designed with equality in mind if a government is to be able to claim that it is socially just. The first is to finance public goods and services, ranging from everything to the NHS to the armed forces. The second is to redistribute wealth, which is where welfare benefits come in, as well as different income tax bands for example. The third is to incentivise desirable behaviour and discourage undesirable behaviour – the thinking behind taxes on tobacco, pollution and so forth. Of these, the first is the least controversial, the second is most debated and the third is most disputed.

Let's start from the assumption that we agree that public goods need to be funded centrally. Taxes need to be raised to fully fund them – and this burden should fall "equally" on all sections of society. If so, we surely can't dispute that certain sorts of social and economic inequality are unjust and undesirable. As such, those in power must be obliged to rectify the problems of disadvantaged people through mechanisms – including the welfare system. Any moves by the government that exacerbate inequality – meaning that the disadvantaged pay a greater share of our public goods as a result – are contrary to the principles of social justice.

These principles can also be applied to the question of incentivising the right behaviour. This question brings to mind the Labour manifesto of 1997, which promised to stop taxing "goods" and start taxing "bads" instead. It was a clever statement aimed at getting people onboard with what would essentially

be accelerated raised taxes on the consumption of “bad” goods – alcohol, cigarettes and petrol in the first instance, but a whole host of other things later.

Jump forward to 2015 and no one denies that it is right to tax these things and that the impost must lie on the consumer. But often such taxes are a levy on types of behaviour over which citizens have no choice. Take fuel consumption. Because we don't have an integrated publicly financed transport system that offers subsidised and plentiful travel as an incentive for people not to drive cars, fuel duty just becomes a tax on everyone and not a tax on bad behaviour.



Is fuel duty really socially just? sylv1rob1

Equally if people aged between 18 and 21 move away from home to take up a low-paid job because it's better than nothing, removing their housing benefit – something else that is expected in the budget – is punishing them for something they can't avoid. A socially just policy would focus on delivering more jobs for them closer to home.

On a closer look at John Rawls, it turns out that his philosophy offers little to back up what the Conservatives are doing either. He argued that inequality can only be justified if it benefits society as a whole and doesn't make the poorest in society worse off than before. Cutting welfare and maintaining the current spread of tax burdens (at best) would not be justifiable for Rawls. Neither would doing nothing to correct the disproportionate effect of behaviour taxes on the poor. Conservative claims that this budget is somehow socially just or aimed at equality should therefore be given short shrift.

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