



FAMILYBASE

of Reagan at present is to restore confidence to the Stock Markets of the world, because that process will ipso facto mean the resolution of our economic difficulties. This I hold to be idolatry, a process whereby the point of reference for economic life is not God whose stewardship we subminister, but Mammon, which is a law to itself.

This is reflected in the underlying idea of market participation: that of maximizing a financial rate of return. The purity of much market analysis consists in understanding how to make money out of money. As a result the imperatives for moving funds around have increasingly been given by the accounting concern of maximizing returns to the exclusion of a consideration of the economic contribution which those funds make in people's lives and an evaluation of whether the use is most helpful. Instead of money serving people, the idolatrous move has been made to make people serve money on the understanding that money gives the definitive answers as to what is the best investment or use to which it can be put. For a while this collective faith in rates of return and assets for their own sake inflates values and creates euphoria, especially when validated by the United States, British and other governments and powerful classes whose faith has been put precisely here. But beneath this pattern is the economic failure of speculation, concentration of funds in the so-called secondary investment market, the wasting of people's work, and the failure to reach where funds are really needed. The skyscraper is built on cardboard foundations and they can't take the weight of the edifice.

Our deepest need in this situation is a fundamental change of attitude which no longer subsumes the theory of value under that of price, and which asks radical questions about the purpose and norms of our capital markets. Then we shall see that there are reforms which can do something to change capital markets into our servants rather than our petty, wayward overlords. If the change does not happen consciously and thoughtfully, it will to a large extent happen willy-nilly and painfully as we lock ourselves blindly into a major economic crisis.

1. see Christian Party Manifesto 1974, A Christian Social Perspective (IVP, 1979) 363, International Reformed Bulletin, 1975, Transforming Economics (Third Way/SPCK, 1986) chs 6, 11.
2. This recognition that shares need not last for ever comes from Goyder The Future of Private Enterprise (OUP, 1951) and The Responsible Company (OUP, 1961), where Goyder relates it to the biblical Jubilee principle. I prefer to see the significance of Jubilee and the reason for limited share life in different terms, but still found Goyder's insight decisive.
3. This was the focus of the IRB1975 article. It has become less important than it was, because of the flexibility of fund-raising patterns, but it will still be significant in the coming downturn
4. CBI Short-Termism (CBI, 1987) and City/Industry Task Force Investing for Britain's Future (CBI, 1987)
5. S Keane Efficient Market Hypothesis (Philip Allen, Oxford, 1983), Stock Exchange Efficiency: Theory, Evidence and Implications (Philip Allen, Oxford, 1985)
6. J Tobin "A Proposal for International Monetary Reform" in Essays in Economics: Theory and Policy (MIT, 1982) ch20

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THE POLL TAX

A Christian Perspective and Proposals for Amendment

By Paul Mills and Michael Schluter

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1. SUMMARY

The present attempt to reform the system of local government finance is the most contentious in the post-war period. It advocates the hope that the introduction of a flat-rate charge paid by everyone will make local councillors less eager to provide costly levels of service and encourage greater interest in local expenditure decisions. Its opponents are concerned about the redistribution from households with many adults to householders living in large properties, the high costs of collection and the civil liberties aspects of enforcement. It has the potential to be electorally damaging to the government.

The main arguments used to justify reform are the inequities of the present rating system and the ability of non-rate paying voters to shift the cost of high levels of local service onto rate-payers and businesses. There are three elements to the proposal to combat these problems. First, the domestic rates system is to be replaced by a charge on residence for every adult in a particular area. Almost everyone will directly pay something. Second, the ability to set business rates is being taken out of the hands of local authorities and a uniform rate is to be set nationally. Third, a central grant to local authorities will combine to provide half of local finance and will continue to compensate authorities with high expenditure needs.

Superficially, it may appear that the Christian does not have anything new to bring to the debate. Christians are not given a blueprint for local government finance. There are, however, principles in both the Old and New Testaments that have relevance. These are that central government power should be circumscribed to allow local government to be as autonomous as possible; that the legitimacy of government action at any level must rest on either direct participation or notions of self-evident justice; and that families rather than individuals, should be the basic unit for taxation and decision making.

These principles may be agreed upon but their detailed application to the current proposals is always open to question. There are several amendments to the legislation however, that would seem to flow fairly easily from these principles. Greater local autonomy could be safeguarded by allowing business rates to continue to be decided locally; by reducing the dependence of local authorities on the grant they receive from central government; and by dropping the powers to cap levels of poll tax. The flat rate poll tax also undermines the legitimacy of local taxation since it is perceived to be unjust by a sizeable proportion of the population. It also has some undesirable side-effects on families by being a tax on individuals. Some of these concerns could be answered by making assessment of liability on a family basis with rebates for dependent spouses, elderly relatives and young adults. Such a scheme would make a rough estimate of ability to pay whilst treating the family as a viable unit for local taxation purposes.

2. INTRODUCTION

The whole process of local government taxation will be radically altered with the introduction of the community charge in England and Wales in 1990. It is the culmination of a process that began with the supposed unpopularity of the rating system in the early 1970s and encompassed the frustrations of the Conservative central administration with high-spending councils. The most ardent supporters of the measure regard its contribution to the furthering of democracy as being on a par with the Great Reform Acts of 1832 and 1867.

However, the proposals have also attracted widespread criticism. Despite the Conservative manifesto undertaking "to replace rates with a fairer Community Charge", and hence their "electoral mandate" for the proposal, a majority of the electorate now seem to be opposed to the reform if opinion polls are anything to go by. Local government and academic opinion is virtually unanimous in its opposition to the community charge.

Given this background, it would be easy to rehearse the well-worn arguments on either side and make a decision on the grounds of those that seem most sensible. Wherever possible, the Christian should attempt to avoid this pragmatic approach in favour of one that works out in practice Christian principles for the social order. This is no easy task since Scripture does not give a detailed universal blueprint of how to structure any aspect of government, let alone local government taxation. The Bible only gives broad hints and principles to follow. Hence, Christians may agree on the overall thrust of the Bible's stance but still disagree on its detailed application.

This paper is an attempt to identify the Christian principles relating to local government and taxation and then to apply them to the current proposals before Parliament. It will not attempt to analyse the case for and against each form of local government tax system. This was adequately done by the Layfield Committee on Local Government Finance (1). Nor will it compare the current proposals with the systems in other countries. Suffice it to say that no other industrialised nation levies local taxes in a similar way.

Some form of community charge to replace rates will be implemented. The question thus becomes one of how to amend the legislation so as to take account of the concerns raised by the analysis of Christian principles. Clearly, this is not the same as devising a system from scratch and so should in no way be thought to be the authors' "ideal". Before the Christian analysis and application is attempted however, a brief discussion of the reasons for the reform of the present system and a description of the legislation is required to provide a background to the analysis.

3. THE BACKGROUND AND DETAILS OF THE POLL TAX

What is the Problem?

The Government has perceived three interconnected difficulties that have arisen from the present system of local government finance. The Government's view is that:

- i) Too small a proportion of the local electorate directly pay any rates at all. This is the result of local taxation being levied on property (with some private tenants and non-householder adults not being liable to pay rates directly) and the rebating of rates to those on low incomes. This results in a local government electorate of 35 million, only 12 million of whom are directly liable for payment of full rates. The argument is that those not directly liable for full rates have an incentive to vote for councillors supportive of high-cost levels of local service as they will not themselves bear the full financial cost of such services. This results in local councils that are not properly responsive to the wishes of those who pay most for their services.
- ii) Making the tax base of local government the equivalent rental value of each property produces inequities and reinforces the problem of non-accountability. Rates are not directly related to ability to pay and can cause sharp gains and losses when the revaluations of property occur. The ownership of valuable property does not ensure that a householder can afford to pay high rates since the rental value of the property takes no account of the current income of the household, or the property may be heavily mortgaged. A property can house many adults and the rating system does not take their combined ability to pay into account even though they each qualify for a vote in local elections.
- iii) Local businesses have no electoral influence over the spending decisions of their councils even though business rates contribute about 25 per cent of local government revenue. This means that high spending councils can drive away businesses through high rates and can cross-subsidise domestic ratepayers through higher business rates. The corollary is that low spending councils are able to artificially attract businesses to areas likely to be relatively prosperous already.

As the debate has continued, the Government has placed progressively greater emphasis on the whole "accountability" argument as opposed to saying that a fairer alternative to domestic rates is needed. The thrust of the argument in the 1986 Green Paper on the subject is that the present system encourages a higher level of local expenditure than if a larger proportion of voters were to bear a greater part of the direct cost (2).

An area of concern that has been conspicuous by its absence in the recent debate however, has been the apathy which characterises the British public's attitude towards local government, and elections in particular. One issue that should be the foundation of the debate is not whether local electors should each be charged for services individually so as to change their voting behaviour, but why the turnout in local elections rarely

exceeds half of those eligible to vote. One of the purposes of local tiers of government is to better reflect local preferences for services than could be done by a centralised authority. This cannot be properly fulfilled if local preferences are not being disclosed through elections. The argument has been made that the poll tax will raise participation levels in local elections since everyone will have a direct financial interest in the outcome. This could have been achieved without introducing a flat rate charge by making every household pay some rates, by removing 100 per cent rebates and compensating those on income support and benefits. This is now occurring under the latest Social Security reforms.

Although not explicitly stated, the underlying intention of this reform seems to be to reduce local government expenditure on redistributive projects, irrespective of what the wishes of the local electors are. It is noteworthy that the legislation provides for local authorities to employ canvassers to ensure that the community charge register is as inclusive as possible. Yet similar concern has not been shown to ensure that the electoral register was as accurate as possible in previous years, resulting in an estimated three million disenfranchised local electors.

The Government's Proposals

There are three major elements to the system of local finance that the government is proposing:

- i) The Community Charge: this is a flat rate charge to be set by the local authority and liable to be paid by all resident adults with some minor exceptions (e.g. severely mentally handicapped people). On average, it will contribute 25 per cent of a local authority's tax revenue and replace the present system of domestic rates. For those on supplementary and unemployment benefits, as well as students, 80 per cent of the community charge will be rebated with benefits rising by 20 per cent of the average charge to compensate. Married and cohabiting couples will be liable for the payment of each other's charge but not for other members of the same family or household. Each local authority will be obliged to compile a community charge register (with addresses) of all those liable to pay the charge. This is to be kept as up-to-date as possible through the use of all other lists open to the authority (e.g. council tenants, users of library services) as well as the electoral register. Canvassers are also to be employed to ask the number of residents of each household. At present, there are no plans to introduce a national identity card or number to enforce the payment of the poll tax. The community charge register will be open to be viewed by residents of that local authority only. There is also provision in the Local Government Finance Bill for the Secretary of State for the Environment to restrict the levels at which the community charge can be set (s.104).

By the very name it has chosen to use, the government has shown its intention to replace domestic rates with a fixed price for residence rather than a "tax". The rationale for this was made clear in the 1986 Green Paper. This is to re-establish the notion of a "charge" or price for local government services which the rates were originally designed to be when local government was responsible for public utilities, but not for education and housing, and when receipt of services was linked to size of property. The charging of a flat rate price is designed to allow electors a simple guide to how efficient and economical their local authority is relative to others, just as the price of any good or service is meant to reflect its costs of production and quality.

- ii) The Uniform Business Rate: this is the rate of tax paid on the rental value of business property and is now to be set centrally following the revaluation of commercial property values in 1988/89. The rate poundage is to be set at a single, uniform level with increases related to the retail price index so as to provide certainty in the increases of rate bills. The proceeds will be collected centrally by the Inland Revenue and then distributed to local authorities on a per capita basis. This is designed to provide approximately 25 per cent of the local authority's revenue.

The reasons given by the government for removing local business rates from the tax base of local authorities major upon the accountability argument. Voters in an area can benefit from greater service provision without paying for it by raising business rates relative to domestic rates. Since firms do not have any independent voting rights, they can make their views known through consultation channels (e.g. Chambers of Commerce) or they can move to low spending council areas. The government states that by setting business rates uniformly, they are denying inner city councils the opportunity of driving firms away and unemployment up.

This argument cannot be accepted wholeheartedly since, whoever ultimately pays for business rates (shareholders, customers, workers and the self-employed) may not live in the local authority area and so there is potential for the shifting of business rate burdens from one area to another under both the present and the proposed systems. Also, councils do attach some weight to local business opinion in their expenditure decisions.

- iii) Revenue Support Grant (RSG): the present Block Grant system is to be replaced by the RSG which it is hoped will be more easily understood and predictable. The overall aim of the grant system remains that of ensuring taxpayers pay the same level of community charge for the same standard and quantity of services, irrespective of whether they live in a high-need or a low-need area. Hence, the government can estimate that if local authorities were equally efficient and each spent the present average on local services, then everyone would pay a uniform poll tax of £224. This equalisation process is achieved by the the RSG taking account of the variable level of needs within each area and compensating authorities if they have to provide for a high proportion of elderly people, for instance, in the local population. In addition to this needs element, the RSG will contain a standard

element of subsidy from central government paid on a per capita basis so as to reduce directly the levels of community charge that each adult must pay.

The total provision of grants will account for approximately 50 per cent of local authority revenue. In the 1990 to 1994 period, a transitional arrangement for grant distribution will phase in the resource transfers of grant from authority to authority.

The case set out in the 1986 Green Paper is that the present grant system weakens the disincentives for local authorities to decide to spend more by lowering the marginal cost of extra spending. This arises because the calculation of central grants makes an allowance for the 'resources' that the local authority can tax. (Under the present system, this is the total rateable value of property). In order to make the same level of rates finance the same level of service in any area, this 'resources' element of the grant must rise with higher expenditure. By making the tax base the number of adults in an area, the present proposals do not need to compensate authorities in this way. The result is that all marginal expenditure undertaken above the central government's assessment of needs will be financed entirely from a higher poll tax charge. Under such a system central government can set a 'cash limit' on the total grant - something that it has been unable to do so far.

4. CHRISTIAN PRINCIPLES FOR LOCAL GOVERNMENT AND TAXATION

Preamble

Scripture nowhere addresses directly the question of how local government should be organised, or how best to levy local taxes. What scripture does provide in the Old Testament is a paradigm for social organisation in the law given to the nation of Israel. A paradigm (or model) is not for literal imitation, but for application so that principles and patterns can be replicated in different historical situations. These principles can be traced back ultimately to the character of God and to the nature of man. Thus, it is not surprising that the same principles found in the Old Testament paradigm, are applied in the New Testament to the organisation and government of the Christian community, and also in teaching about the role of government.

Two dangers must be guarded against in seeking to apply these principles to the contemporary situation. With the Old Testament material, there is the danger of failing to identify where a command given to Israel relates in a unique way to Israel as the people of God, thus reflecting the theocratic nature of Israelite society. The moral and civil aspects of the law must be distinguished from the ceremonial aspects of the law which marked out the exclusivity of Israel. With New Testament material the danger is in applying teaching intended for believers who have the Holy Spirit within them, to society at large. Thus it is unrealistic for example, to base criminal law on Jesus' command to his disciples to "turn the other cheek"!

With these caveats in mind, we shall now seek to derive these principles from scripture and explore their application to issues of local government and taxation today.

Principle 1: The role of central government should be circumscribed to allow local government to be as autonomous as possible.

There is deep concern about the centralisation of power in the state in both the Old and New Testaments. On the one hand, human personalities and institutions should not be ascribed the glory which rightly belongs to God. This concern also reflects the nature of man. Man is made in the image of God; this gives him dignity, and part of that status or dignity is expressed in the act of government in creation and in social affairs. At the same time, man has a fallen nature and his sinfulness means that power corrupts. Thus to focus power in one person, or a small group, all too easily leads to tyranny.

In the New Testament, the foundational passage dealing with the role of the state is Romans chapter 13. In this chapter, the role of government is defined in terms of law and order. It is God's servant, an agent of wrath to bring punishment on the wrongdoer (v.4). The maintenance of law and order will involve taxation, as it is, for some, a full time job, and so Christians are commanded to pay their taxes (vv.6-7). Obedience to the state should be regarded as a matter of conscience (v.5).

Against this background it is not surprising to find the New Testament expressing hostility to the ideology of state power. Revelation chapter 13, with its description of the Beast from the Sea, is generally understood to be describing the tyrannical power of the state in terms of a monstrous 'beast' which seeks to exercise control over every area of human activity.

This New Testament teaching follows in the tradition of the Old Testament. As Elazar and Cohen argue, "there is no 'state' in the Jewish political tradition in the sense of a reified political entity complete in and of itself". Rather, there are a number of entities, each with their own political-legal jurisdiction, each of which may be regarded as a form of government or "polity". Again to quote Elazar and Cohen, "Jewish government is best thought of as a matrix rather than a pyramid. It does not posit "high" and "low" power centres (sic), with graduations of power flowing down from the top... Rather, it forms a matrix of larger and smaller arenas of authority, linked through adherence to a single recognised constitutional framework..."(3).

History demonstrates that the chief threat to such a matrix lies in attempts by the power at the centre to re-establish a pyramidal type of structure, ie. to take to itself functions and responsibilities which should be exercised at other points in the matrix. There is always a temptation for central government, and for Heads of State in particular, to seek to enlarge their influence and patronage by focusing power at the centre. Against this background it is easy to understand the constant efforts in the Old Testament to circumscribe the power of the king. It is a prominent part of the ten Deuteronomic law codes (Deut.17:14-20), and in the early history of Israel, when the kingship is first established, Samuel warns the people in the strongest possible terms about the centralisation of power which he seems to regard as an inevitable outcome (1 Sam.8). The passages dealing with opposition to a census (II Sam.24, I Chron.21) also seem to be associated with this concern to prevent the growth of centralised state power, for a census facilitates and increases state control over the individual.

The history of Israel involved a gradual process of centralisation of power from Solomon onwards, slowly eroding the rights of the citizen leading to both a breakdown of law and order within the state and vulnerability to external aggression. It is no accident that this centralisation of power is closely associated in the text of scripture with religious apostasy. The ideologies of the surrounding nations embraced both idolatry and unfettered state power. It is only a strong belief in the dignity and worth of the individual, as made in the image of God, and a conviction of responsibility under God to participate in the political process, which provide a framework strong enough to withstand the coercive power of the state. As religious belief in Israel waned and the ideology of neighbouring states infiltrated, there was no brake on the centralising process. The story of how Naboth's vineyard was seized by Ahab and his wife Jezebel, encapsulates the process in a single incident (1 Kings 21).

So both New and Old Testaments point in the same direction. They warn of the dangers of centralising power, and seek a system of government which provides local autonomy, safeguarded by constitutional provisions. Hence, the principle that the role of central government should be circumscribed to allow local government to be as autonomous as possible. We can now consider the poll tax proposals in the light of this principle.

There are a number of ways in which the poll tax is likely to undermine local autonomy and increase the influence of central government. In this regard the poll tax cannot be seen in isolation. The rate-capping measures, which were begun in 1981, provision for schools to opt out of local authority control and come directly under the Department of Education, and the introduction of a national curriculum subject ultimately to political control can all be seen as part of this process. No doubt in each case there are justifications for the changes; some way had to be found to curb the rise in rates under Left wing councils. However, the trend overall should sound the alarm in the light of the Christian principles outlined above.

The poll tax is a further step down this road. The proportion of income over which a local authority exercises control will be lowered from approximately 50 to 25 per cent because business rates will be decided nationally. There are provisions in the bill before Parliament for central government to be able to cap poll tax levels. All of this means that local government will increasingly have to look to Whitehall for its financial support. Without more financial independence, its autonomy will be severely curtailed.

Although not of relevance to the principle of local autonomy, the tax collection process is likely to lead to greater central government power over the individual. A highly mobile population will make the tax difficult to collect. The strategy of knocking on every door to find out who lives there, and using every available local authority register, is unlikely to yield a complete list. Alternative ways to ensure that people are listed and identified points down the road which few Christians want to travel - that of national census-type listings with a large department to help track people's movements. Everybody could be given an identity number, and perhaps will have to carry it with them. In a few years, if ten to twenty per cent of people are shown to be avoiding payment there will be a strong case for allowing the police to make spot checks, thus requiring people to carry identity cards with them to show that they have paid. Such scenarios may seem extreme today, but the logic of implementing such policies to prevent poll tax evasion will be hard to avoid in the event of significant tax evasion. (Government proposals for identification certificates for students have already been made).

Principle 2: The legitimacy of Government action, including taxation, must rest on direct participation in the decision or on self-evident justice.

The earlier discussion of the passage of Romans 13 pointed out that the role of the state was laid out in terms of issues of law and order. The text reads as follows:

"For rulers hold no terror for those who do right, but for those who do wrong. Do you want to be free from fear of the one in authority? Then do what is right and he will commend you. For he is God's servant to do you good. But if you do wrong, be afraid, for he does not bear the sword for nothing. He is God's servant, an agent of wrath to bring punishment on the wrongdoer. Therefore, it is necessary to submit to the authorities, not only because of possible punishment but also because of conscience" (vv.3-5).

It is because the state can be seen to be doing what is right, enforcing law and order and administering a system of civil and criminal justice, that obedience to the state is described as a matter of conscience. The moral imperative also operates, where people perceive that they are beneficiaries of a given tax, as in the case of national defence, or where a tax is used to help those on low incomes or with a clear physical or psychological need.

In the Old Testament paradigm, there is a strong emphasis on participation in the process of decision-making. Each extended family was represented in local affairs by a family 'elder', which gave every individual direct access to decision-makers (eg. Deut.21:19, Prov.31:23). Under these circumstances the obligation to obey local rules is based on a moral rather than an authoritarian argument, for each individual would have had an opportunity to influence the decision that was taken, even though they may have been represented rather than directly participating.

In the Old Testament, the system of national taxation laid down was the tithe. There were probably several different tithes operating at the same time (4), but the main tithe was paid annually to the Levites, who acted as something between the anglican church minister and civil servant of today. They were responsible for the organisation of religious worship, but also for educational, national and legal affairs. The tithe was a fixed proportion of income, probably ten per cent (Numbers 18:21, Deut.14:22). This was not a flat rate tax since it was linked to the family's size of farm and the level of their harvest. However, it was not progressive. As early Israel was characterised by a high degree of equality in land distribution, income redistribution was achieved not by taxation but by the periodic restoration of land to its original family owners in the year of Jubilee and the periodic cancellation of debts.

The only alternative to obtaining obedience by an appeal to conscience is to compel obedience by the use of force. It is inevitable that when governments impose a level of tax which people regard as unreasonable where there is not a sense of participation in the decision nor a self-evident moral case for its imposition, the only means to collect the tax will be to use force. This situation again is not foreign to scripture. The split of the Jewish state into two - north and south - occurred when Solomon's son attempted to use force to collect tax which most of the tribes regarded as unacceptable. The issue was the moral basis for taxation. As Principle 2 states, the legitimacy of government action, including taxation, must rest on participation or self-evident justice so as to enable conscientious obedience.

The poll tax proposals raise questions in the light of this principle. Many in the country, especially in areas like the inner cities and Scotland, do not feel they have 'participated' in the decision to move to a poll tax, indeed they feel marginalised by the present electoral system. Nor does the poll tax as proposed rest on any self-evident appeal to justice. Rather the opposite. Compared to the rates system, it will redistribute resources from low to high income groups. Nor can it be argued that the central government contribution to local expenditure is levied on a progressive basis, with such a high proportion coming from sales taxes and income now being taxed at rates which effectively have only a 6% differential between those paid by the richest and poorest taxpayers. The level of the poll tax will also be highest in inner city areas, which are characterised by having many on relatively low incomes. Despite the promised adjustment in levels of social security benefits, and rebates for the low paid, there is a widespread perception that a tax of £650 per head in Camden, for example, will cause much hardship. Many of those worst affected will be immigrant families which at present pay low rates per head as more adults than average live under one roof.

The flat rate nature of the tax has induced many in Scotland to pledge that they will refuse to pay or to obstruct the data collection process. If such a notion becomes widespread in England and Wales as well, the feeling of obligation to pay the tax will be eroded and enforcement procedures will become overloaded. The urgency to amend the legislation lies not just in making the system workable but also reforming the tax so that it is seen to be fair by the vast majority of the population. Otherwise the legitimacy of local authorities as a tax-raising tier of government will be undermined.

Principle 3: Families, rather than individuals, should be the basic unit for taxation and decision-making.

Western societies are being bound increasingly into an individualistic framework of social and political organisation; the state deals with individuals without passing through mediating structures such as the family, the local community or voluntary bodies such as the church. This is evident in recent discussion of reform of personal taxation (5), and in other recent legislation.

In the Christian tradition, the basic social unit is the extended family. This is clear in the New and the Old Testaments. In his letter to Timothy, Paul warns against providing welfare to elderly widows based on their individual circumstances. He argues that the family situation should be taken into account; wherever possible the family should be required to shoulder its responsibility (1 Tim.5:3-8). The extended family must care for its own (v.8).

The church is also not designed to regard itself as a gathering of individuals. The local congregation is described as being like a human body, where the whole is more than the sum of its parts. When one member suffers, all suffer. Christians are encouraged in their worship practices for example, not to exercise their gifts just for their own benefit, but to sacrifice some of their personal freedom for the benefit of the larger

collective (eg. 1 Cor.14:26-33). This is not the removal of individual freedom and identity, but its subordination to the small collective of the Christian family.

In the Old Testament, commitment to the wider collective of the extended family is the foundation of local government. The family, which was generally several households of people living close to one another, would be represented in local government by the family elder as described above. The family, it seems, often consulted together when issues were raised in the local forum (see the book of Ruth). Even property was jointly held by the family, so that the individual could not sell it, even on a leasehold basis, except as part of a collective decision.

Applying the principle of family solidarity to the issue of the poll tax, there are again problems for Christians in the rationale given for the poll tax and in the way the tax is to be levied. One of the reasons given for moving to the poll tax is the claim that under the present system among couples with or without children only the main householder pays the rates, and only these main householders take account of the rates when voting in local authority elections. This assumes that if the husband is liable to pay the rates, the wife takes no account of how much he pays when making her voting decision. Hence, the proposals are to tax wives, husbands and children over eighteen separately, even when they live in the same household. This is intended to increase the sense of participation in paying the tax, and hence increase resistance by the mass of the population to raising levels of local taxation. The aim is to help every individual make an independent decision as to what the level of local taxation should be. By seeking to tax couples and families as separate individuals the proposals are consistent with those for reform of personal taxation in the Government's Green Paper, which lays out plans for wives and husbands to be assessed separately, even for investment income (6).

This pattern of levying taxes contravenes the principle discussed above, of treating the family as the building block for society. It contributes in a small way again to undermining the sense of a husband and wife being 'one flesh', and of them taking joint decisions on a whole range of issues. Instead of promoting and encouraging discussion of the appropriate tax rates within the family, as it will be individually assessed, the tax encourages each individual within the family to make an independent judgement. Of course, the individuals in the family may still choose to discuss the issue, but there is no need for them to do so. It is many small changes of this kind, each perhaps regarded as insignificant on its own, which propels a society towards greater individualism with its attendant indiscipline and alienation which are becoming so characteristic of high income western societies, especially those with a Protestant tradition.

The poll tax will also undermine family solidarity in more tangible ways. Under the present system of rates, a family is able to have an elderly relative or an adult child living at home without paying any additional rates. However, under the community charge, this will change. The elderly person will have to pay the poll tax unless they enter a residential home for the elderly or a geriatric hospital. If an elderly person is going to face a £200-£500 penalty for being cared for by their family, they may decide to enter a residential home. This side effect of

the poll tax contradicts the government's expressed desire to see more of the elderly cared for in the community.

The case of the adult child living at home is not identical as the child will have to pay the tax whether living at home or not. However, the present incentive for the child to live at home because he or she does not pay additional rates, will be removed. While it is not necessarily healthy for children of 18 or over to live at home, it is nevertheless unfortunate to introduce a tax which will make larger family households less attractive, and which is likely to add further pressure for single-person accommodation.

By treating every individual independently for the assessment, the poll tax misses an important opportunity to make a positive contribution to family cohesion. When families live within the same local authority area, there is a greater chance of them caring for their own elderly relatives and thus alleviating the demand for the personal social services provided by the local authority. Equally, when grandparents or other relatives live nearby, the need for childcare services is lowered, and it allows women a greater opportunity to both have children and pursue a working career. However, as already observed, families which locate near to one another will pay the same amount of tax as the families which do not, the poll tax does nothing to contribute to building family networks, and contravenes the principle that the family, rather than the individual, should be the basic unit for taxation and decision-making in local government.

Summary

The specifically Christian concerns that arise from the details of the poll tax legislation are:

- i) The weakening of local government autonomy that arises from the erosion of the tax base through the establishment of the Universal Business Rate and the re-imposition of central directives on how much local authorities can spend (through poll tax capping powers).
- ii) The increased need for local government surveillance of the population so as to ensure maximum compliance with the payment of the community charge. The field is left wide open for the introduction of national identity numbers and/or cards to facilitate enforcement.
- iii) The poll tax being unrelated to ability to pay or lifestyle (eg. house size). The non-relation of the tax payment to income seems to run counter to the biblical precedent of the tithe which was levied proportional to income.
- iv) The unpopularity of the tax and high probability of avoidance and non-compliance is likely to weaken the moral basis on which the central government levies taxes since compliance to any law should ultimately be regarded as a matter of conscience (Rom.13:5).

- v) The poll tax will redistribute income substantially from those with smaller houses to those with larger houses; and will place an extremely heavy burden on many relatively low-income families and individuals, many of whom do not pay full rates at present.
- vi) The poll tax continues to foster the notion that people should act and think as individuals rather than as married couples and families.
- vii) The poll tax will penalise the elderly for care by their adult children within the same household and will remove the incentive for adult children to remain in the same household as their parents.
- viii) The share of the burden borne by the ethnic minorities is likely to be much higher than at present due to the higher levels of taxation in the inner cities and the greater number of adults per household that tends to characterise their living conditions (7).

5. DISCUSSION OF AMENDMENTS TO THE CURRENT PROPOSALS

The next step is to seek to embody these Christian principles into proposals for the amendment of current legislation. Christians may agree with the principles of strong local autonomy, the need for self-evident justice in taxation and the desirability of treating people as part of their family for local tax and decision-making purposes, yet still disagree as to how to translate these principles into a system of local government finance. Christians are not given a blueprint for social organisation. So the following discussion is an attempt to embody these principles in a system relevant to the current situation realising that Christians may differ in their perspectives on how exactly these principles should be applied.

A. Re-establishing Greater Local Government Autonomy

Under the proposed reform of local government finance, the tax base over which a local authority will have discretion will provide only 25 per cent of its expenditure needs, relative to the approximate 50 per cent prevailing under the rating system. The result is that if discretionary expenditure by the local authority is to rise by 1 per cent, the level of poll tax must rise by 4 per cent. This restriction of the local tax base provides insufficient power at the local level relative to central government. This excessive centralisation can be reversed in a number of ways:

- i) Restoration of business rates to local government control. Although a superficially attractive element to the proposal of a Uniform Business Rate is the one-off transfer of £700m from businesses in areas with high property values (and generally lower unemployment) to areas of lower rateable values (and generally higher unemployment), it will cause severe transitional problems to small firms and shops in the south (e.g. business rates are set to rise 90 per cent in Reading). The hoped for boost in employment in high unemployment areas is also bought at a high price since the influence of businesses over local government will be severely curtailed. At present, the local authority needs to take some account of business interests in the level of rates set and the quality of services provided since it could lose part of its tax base if businesses migrated. Under the proposed scheme, this incentive will be entirely removed.
- ii) Reducing the size of the standard grant. Under the present proposals, 50 per cent of local government funding will come from the revenue support grant. This is designed to compensate authorities for high expenditure needs and to act as a direct subsidy from the Exchequer to local authorities to reduce the required levels of poll tax. A way of broadening the tax base of local authorities and give them more independence from the central Exchequer would be to replace this "standard grant" element with a local income tax. This would widen the discretion of local authorities without placing too much weight upon the poll tax as a tax instrument. The decline in central government grant would enable a cut in the basic rate of national income tax equivalent to the average rate of local income tax levied.

The feasibility of such a scheme has already been outlined (8) as well as possible administrative mechanisms for a local income tax (9).

- iii) Removing the threat of poll tax capping. The very existence of powers to limit the level of rate of increase of community charges in the current legislation illustrates an admission of defeat by the government before the legislation is enacted. For if local authority electors all face a financial penalty for voting for high-spending councillors (as they will under the legislation), then their choices will not be distorted by being able to shift the financial burden onto others. Their real preferences for local services will be weighed against the costs and the level of community charge will be determined by their decisions. If the free expression of local views is important to the government, why has it taken upon itself powers to overrule local councillors in their spending decisions when they will realise the full consequences of their decisions for the payers of the poll tax? The inclusion of such powers for the Secretary of State for the Environment suggests that the real aim of the legislation is to reduce levels of local expenditure, with or without direct central intervention, irrespective of whether the local electorate has voted for higher expenditure or not. As this seems to be the reasoning, central government power needs to be curtailed by the removal of poll tax capping instruments.

B. Re-establishing the Legitimacy of Local Government Taxation

The most controversial aspect of the current proposals is that, for those people not supported by state benefits, the tax is totally unrelated to income. The government argues that it does not matter whether a particular tax is regressive or not so long as the overall system of taxation is progressive (that is, a greater proportion of income is taken in tax as income rises). Although this assertion is open to technical question, the most important factor it ignores is that compliance of the population with a particular tax is not something a government can dictate. The payment of taxes should be a matter of conscience - the government does not have a God-given right to set any tax at whatever rate it pleases. To ensure this compliance, any tax must be based on some easily identified notion of justice or be such that the citizen can decide how much tax he or she pays (e.g. the flat rate car tax can be avoided by only using public transport). Otherwise, the whole legitimacy of that tax-raising authority is brought into question. The very fact that the community charge is unrelated to ability to pay has raised the spectre of mass non-compliance with payment of the tax. It is possible that a significant withholding of payments will occur in Scotland in 1989 if this aspect of the proposal is unaltered.

The most worrying potential consequence of the community charge system is that the levels of non-compliance and evasion will be so high that local government will not be seen as a competent tax-raising authority. The poll tax may be so unpopular or difficult to enforce that central government may seek to reduce the levels of tax payable by raising the standard grant element of local government revenue and making central government responsible for the provision of more services. For instance, as the

legislation proceeded through the commons, suggestions were made that the levels of poll tax could be significantly reduced by making central government totally responsible for the funding of education or police services. This would be an alternative to having to implement expensive enforcement methods for payment of the community charge. Under the circumstances, authorities might welcome the opportunity of reducing their levels of taxation at the expense of a curtailment of their fiscal discretion. If this happened to any great extent it would amount to the abolition of local autonomy.

Given this possibility, it seems vital that the poll tax is amended to take some account of ability to pay. The problem is that any attempt to link poll tax payment to income produces an unsophisticated local income tax. For instance, one proposal has been to link poll tax liability to income tax bands - if the individual does not pay income tax then he is liable to 50 per cent of the community charge, if paying basic rate income tax then liability is for 100 per cent of the charge and if paying above basic rate income tax then liability is for 150 per cent of the charge. The immediate problem that arises with such a hybrid is that anyone in the £100-£300 income brackets above the basic rate and higher rate thresholds would gain net income by earning less. At a time when the social security system has been overhauled so as to reduce high marginal tax rates on the poor, such a reform would appear to be a retrograde step.

It must be pointed out, however, that this scheme would simply have replicated the government's proposal to give rebates of charge for the low paid which will be withdrawn at 15p for every £1 extra earned. This is still effectively imposing an extra 15 per cent on the income tax rate faced by the low paid. As argued in the Commons, the banded scheme would not have had many more problems associated with it than the government scheme. If the only way of reforming the community charge is to graduate it with income, this must be supported. Otherwise the whole legitimacy of local taxation may be brought into question.

C. Re-establishing the Family as a Unit of Taxation

A major criticism that can be levelled at the poll tax proposals is that, relative to the present situation, the remaining cohesion of any inter-generational family will be penalised. As far as filial care for elderly relatives is concerned, the household will face a higher charge if the relative is cared for at home. It must be noted that children will not be liable for the charges of their parents and vice versa but also that elderly people will not incur a charge if they are living in a geriatric hospital or residential home. Therefore, an elderly person will face a penalty for being cared for by relatives rather than being institutionalised. The same situation applies to the physically handicapped and those who are mentally handicapped but not severely enough to qualify for exemption. Given that Christians place a strong emphasis upon family care of relatives, particularly parents, this is a particularly undesirable side-effect of the current proposals.

The same penalty arises, but for different reasons, when considering the situation of adult children living with their middle-aged parents. The rating system allows them to make a contribution to the household rates of their parents at a level that would probably be below the rates they would

pay if establishing their own household. In this sense, the present situation gives a financial incentive for children to live with their relatives which would be removed by the community charge. Although it is not necessarily desirable to heavily penalise children for leaving home, the current pressure upon low-cost housing, and rising homelessness amongst young people, suggest that an equivalent of the present financial incentive for children to live at home is needed under the new scheme.

Perhaps the most disconcerting feature of how the poll tax affects families, however, is not the impact upon household structure but the underlying view of the family as a collection of individuals who do not consider each other when making voting decisions. If the state begins to regard people as autonomous individuals, the likelihood is that they will begin to act more that way. Therefore, it is imperative that some method be found of levying the community charge in a way that regards people as belonging to wider social groupings of family if this reflects their lifestyle and wish to be treated in that way.

Attempting to embody these concerns into a way of amending the poll tax is not an easy task. If, in addition, a wider social grouping, such as a family within a household, is to be given one community charge bill, then a procedure that attempts to relate the charge to household ability to pay becomes complex. For instance, if one says that only full-time earners within a household should be liable, this raises the questions of how 'full-time' is to be defined, how many dependents should be taken account of, is unearned income to be exempt or not and so on. The administrative complications of assessing household income would be so great as to make the levying of a household poll tax that is related to precise ability to pay unfeasible. A simpler way of attempting to make some allowance for means whilst levying a household charge would be to give discounts to households containing adults likely to be on low pay or with little means of payment (e.g. pensioners, young adults). Such a scheme would also maintain some incentives to be taxed as a family unit rather than as separate individuals. For instance, families could opt out of the current system into a method of assessment with the following features:-

- i) The family is given a single community charge bill assessed on the number of adults within the family (equivalent to what they would otherwise pay). This would be sent to a nominated representative.
- ii) A discount of 50% of their charge is given to the family for every adult who is not working and not claiming a state benefit or pension and is related to the family representative by marriage, blood or adoption.
- iii) A discount of 50% of their charge is given to the family for any adult under 25 years of age and who is related to the family representative by marriage, blood or adoption.
- iv) A discount of 50% of their charge is given to any adult aged between the state retirement age and 75 years of age and is related to the family representative by marriage, blood or adoption.
- v) A discount of 80-100% to any adult family member aged over 75 years of age.

- vi) Family members included in the total bill, must live within the same property on a permanent basis. The family representative would be liable to ensure that the full bill was paid and information supplied was correct.

Such a scheme is designed to maintain the link of some poll tax liability for every adult under 75 years of age whilst taking some account of likely ability to pay in the form of dependent spouses and relatives, pensioners and young workers. It can also be hoped that such a system would encourage family members to feel part of a wider community than just as individuals. This amendment would attempt to maintain the present incentive for young adults to remain in their present household and to prevent the penalty on family care of the elderly. It would reduce administration costs by allowing people to volunteer information and reducing the number of bills sent out and would also ameliorate the heavy burden of taxation that immigrant families face under the present proposals. The precise details concerning which family members should be allowed rebates and what their size should be are open to discussion (10).

A more radical approach would be to allow such family assessment to members within the same geographical area and not just the same residential property. This widens the incentive for relatives and children to live in the same area rather than the same house and encourages family cohesion whilst not encouraging family claustrophobia. The geographical area would, of course, need to be encompassed within the present local authority boundary but would probably need to be on a smaller scale than the local authority area itself.

Implementation of the family assessment scheme on a geographical rather than household basis has the attractions of not making the family feel it must be together in the same property to qualify and this may make it easier to care for elderly relatives. It has the problems of not being able to ensure that this caring is being carried out and not recognising that some local services are still provided on a property basis (e.g. refuse collection, roads, street lighting). It would also be more administratively feasible to make such an assessment on a household rather than a geographical basis.

Whether it is implemented by household or area, such a scheme would give the family a special identity for the purposes of local taxation as well as give a crude approximation to ability of the household to pay. It would not be impossible to combine such an assessment method with relating poll tax liability to income tax liability as in the scheme outlined earlier but to administer both would be complicated and costly. It would appear to be a case of choosing one or the other option. Either option would require complicated 'resources' elements to be calculated as part of the revenue support grant.

D. Summary of Amendments for the Community Charge Proposals

- i) Restore business rates to local authority discretion.
- ii) Reduce the size of standard grant within the revenue support grant and replace it with a local income tax compensated for by a reduction in national income tax rates.
- iii) Withdraw the powers to limit centrally the level of local poll taxes.
- vi) Link the level of poll tax to ability to pay either by relating liability to income tax assessments or by giving specific discounts to groups likely to be on low income within a family assessment of community charge. This latter proposal would ease the impact of the tax upon family life and give families grounds for cohesion.

6. CONCLUSION

The current proposals for the community charge are based on a justifiable principle - making everyone share part of the cost of local government services - but have worrying ramifications from a Christian perspective. They further erode the autonomy of local tiers of government, they undermine the legitimacy of local taxation by using an unfair tax instrument, they have the potential to lead to worrying levels of government surveillance and they take no account of the family as a unit. The difficulties of devising amendments that are politically acceptable to the majority of M.P.s in the Commons and which take some account of these serious concerns appears to be a task verging on the impossible. This paper is an attempt to show in which direction amendments should go and some possible steps along the route. If some changes are not made, the whole rationale and legitimacy of local government taxation may be under threat.

FOOTNOTES

- (1) Layfield Committee, Local Government Finance. Report of the Committee of Enquiry, Cmnd 6453, HMSO, London, 1976.
- (2) Paying for Local Government, Cmnd 9714, HMSO, London, 1986.
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- (4) de Vaux, Roland. Ancient Israel: Its Life and Institutions, Darton, Longman and Todd, London, 1961. p.380.
- (5) Mills, P., The Reform of Personal Taxation, Jubilee Centre internal paper, 1988.
- (6) The Reform of Personal Taxation, Cmnd 9756, HMSO, London, 1986.
- (7) The estimated average number of adults per household is 2.7 for Asians, 2.3 for West Indians and 2.0 for whites. (C. Brown, Black and White Britain, PSI, 1984). 38% of the West Indian population live in Inner London compared to 4% of the white population, (Labour Force Survey, HMSO, 1985).
- (8) Smith, S., and Squire, D., Local Taxes and Local Government, Institute for Fiscal Studies Report No.25, London, 1987.
- (9) Kay, J., and Smith, S., Administration Options for a Local Income Tax, Institute for Fiscal Studies Commentary, London, 1987.
- (10) Mills, P., The Local Government Finance Bill: The Case for a Family Community Charge, Jubilee Centre internal paper, 1988.

Book Reviews

Economics and the Christian Mind

by Arnold F. McKee.

Published by Vantage Press, New York, 1987, pp.212. \$10.95.

ISBN 0-533-07175-5

Public Theology and Political Economy

by Max L. Stackhouse.

Published by Eerdmans Publishing Co, Grand Rapids, 1987,
pp.177. 7.35. (Paternoster Press)

ISBN 0-8028-0267-2

Economics and Ethics: a Christian Enquiry

by J. Philip Wogaman.

Published by SCM Press Ltd., London, 1986, pp.145. 6.95.

ISBN 0-334-00336-0

These three books, all from North American authors, will be of interest to our readers. All three are tackling the relationships of Christian faith and economics, albeit in different ways, from different starting points, and with varied aims in mind. McKee approaches the task as an academic economist whereas Stackhouse and Wogaman have their roots in theology, or more specifically, social ethics. Their concerns overlap in so far as they all consider our public and social economic life and how it should be lived