Social Policy & Society (2025) 24:2, 267–280
© The Author(s), 2025. Published by Cambridge University Press. doi:10.1017/S1474746425000132

# State of the Art
# Redistribution and the Tax System: A Social Policy Perspective

**Sally Ruane**

*School of Applied Social Sciences, Faculty of Health and Life Sciences, De Montfort University, Leicester, UK*
Email: sruane@dmu.ac.uk

*This article problematises two concepts frequently used in debates about resource allocation. The term 'system' evokes a 'unified whole' and emphasises interaction among the different component parts within the system. However, the notion of a tax system insulated from the world around it obstructs an analysis of the ways in which interactions of tax arrangements with other elements of society shape distributional outcomes. The article argues that tax arrangements need to be understood as an open system.*
*Next, the article problematises the concept of 'redistribution' by examining the limitations of current approaches to redistribution. First, pre-distribution, referring to decisions about tax expenditures, is often overlooked, although it reflects allocation decisions that not only benefit recipients but also result in foregone revenues that might have been used for redistribution. Second, analyses of redistribution often focus exclusively on income. Third, taxes shape the kind of society we have in ways that limit future possibilities of redistribution. The article proposes the concept of structural redistribution to denote redistribution, which goes beyond redistribution among groups to change the nature of society.*

**Keywords:** taxation, redistribution, tax system, inequality, social policy.

## Introduction

When considering the distribution of resources, it is widely acknowledged that human wellbeing is strongly influenced by access to and command over resources (Marmot *et al.*, 2010). Social policy has at its heart a concern for the meeting of social need and how this is shaped by who gets what and how. Its focus has always been on the collective arrangements, which are in place to address these questions. This article addresses a fragment of these arrangements and our understanding of them by considering two interrelated phenomena that feature in debates about resource allocation: the tax system and redistribution. It will do this by posing questions as to the adequacy of our understanding and use of these concepts. We argue for a reconceptualisation of the tax system, which must be understood as an open system comprising a set of dynamic processes, since the current use of the term 'tax system' often masks the way taxes operate and their true impact on the distribution of resources. Where redistribution is concerned, we draw attention to several key aspects of redistribution that remain relatively neglected in the field of social policy.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

Although taxation has often been conceived to fall within the purview of accounting and finance, economics, and business studies, its significance in the wider social sciences is increasingly recognised. A previous themed section within Social Policy and Society (Collins *et al*., 2020) and Lymer *et al*.'s (2023) recent edited collection on the role of tax across the different domains of social policy are part of this picture but, as indicated below, so too is the intensification of social policy analysis surrounding the taxation of wealth which has helped push the latter up the political agenda. Ruane *et al*. (2020) explored the special role that a social policy perspective can play, for example in conceptualising fiscal measures in the context of broader welfare policies, in privileging considerations of inequality in a construction of tax as a major vehicle in the allocation of resources and in contributing to a positive discourse around tax as a pooling of resources to make the social wage possible.

## Defining the tax system

Although the term 'tax system' is ubiquitous in the fields of finance, accountancy, business, and economics, it is rarely defined. For example, the Encyclopaedia Britannica makes ten references to tax system in its entry on taxation, but it nowhere defines what is meant by the concept. IGI Global Dictionary, produced by IGI Global Publishing House, defines a tax system as

> a set of tax regulations, institutes and norms, *bound* in a unique mechanism for the purposes of achieving a certain tax policy. The tax system includes a large number of tax forms that differ in each system. The system is a set of institutes and instruments available to tax authorities for achieving certain fiscal, economic, social and political goals within the economic system (IGI, 2023, emphasis added).

The use of 'bound' suggests there is something bounded or self-contained about the tax system, with constituent parts amounting to a 'mechanism'. Everyday definitions of 'system' reinforce this emphasis on the interaction among the different component parts *within* the system and their operation as a unified whole. For example, the Cambridge Dictionary defines system as: 'a set of connected things or devices which operate together', and Miriam Webster gives: 'a regularly interacting or interdependent group of items forming a unified whole'. We see this again in IGI's (2023) second definition of the tax system:

> the entirety of harmonized, rational, effective, flexible and appropriate forms of taxation in the realisation of the economic, social development goals of a state.

This paper does not advocate that the concept of tax system should be abandoned in academic life but argues that in the world of social policy – and elsewhere – the concept of tax system is often used in a way that reifies dynamic processes and masks the way tax works to shape distributional outcomes in particular countries/social formations. As noted by Byrne and Ruane (2017: 117) 'taxation is part of the overall socio-cultural-economic system which constitutes the social world'.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

## Reconceptualising the tax system

### *A unified or harmonised whole?*

We shall consider first the notion of a unified whole, which the term *system* appears to imply. The description of a smooth, harmonised whole obscures the fact that societies have an accretion of tax arrangements which have developed and redeveloped over many decades or centuries in response to numerous circumstances and purposes specific to the individual social formation, arrangements that may be marked by internal tensions sometimes producing contradictory outcomes and by a complexity which belies the concept of a harmonised whole.

The emergence of tax arrangements in any society is marked by key historic developments, which reflect a set of circumstances at the time in that country. United States income tax was first introduced on a temporary basis to pay for the Civil War, but it took a political struggle over the Constitution (Sixteenth Amendment) several decades later before such a federal tax could be reintroduced. Similarly, income tax was introduced in Britain to help fund the Napoleonic Wars and then abolished with (unfulfilled) promises to destroy the records. It was reintroduced, again on a temporary basis, in 1842 to address a growing deficit and the desire to revive trade by reducing customs duties, which until that time had raised the bulk of revenue for the Exchequer. In fact, this tax, while subsequently modified, was never repealed (Coffield, 1970). Both examples illustrate a process of political struggle in response to national emergencies to legitimate a government's claim. But there are more recent and more modest reminders that tax arrangements, rather than being designed as a unified whole, are shaped by particular conjunctures of circumstances. The persistent particularity of country systems is sometimes most evident where attempts at international harmonisation are made.

One example can be found in value-added tax (VAT) rates across countries in the EU where continuing variation points to the situated and circumstantial character of country tax policies since complete harmonisation has been deemed to be impossible for national governments, which must continue to consider political, economic, and cultural sensitivities surrounding their own tax arrangements. Standard rates vary between 16 per cent and 27 per cent; reduced rates vary between 5 per cent and 18 per cent and some countries have super-reduced rates of 2.1 per cent to 4.8 per cent (Tax Foundation, 2023). Reduced rates exist in most countries (except Denmark) for political reasons, often relating to affordability or equity considerations in the knowledge that VAT is a regressive tax, taking a higher proportion of the income of lower-income households than the proportion taken from higher-income households. Reduced rates sometimes reflect specific political struggles in specific social formations. This was the case, for example, in the UK over fixing the VAT rate for domestic consumption of energy in the 1990s and in several countries where feminist-inspired campaigns over the taxing of sanitary protection resulted in VAT reductions. Even the EU determined minimum rate of 5 per cent for sanitary products has been bypassed in some countries; such are the domestic pressures (e.g. Ireland and Malta). Fuel tax rises represent another site of contestation and domestic political struggles, shaping tax provisions in several countries.

These examples point to the multiplicity of social objectives taxes are used to address or attain and this complexity itself undermines coherence within the tax system.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

### The open nature of the tax system

As well as illustrating that our tax arrangements evolve in contingent and nonlinear ways, which detract from a unified whole, these examples show that the design of a tax system is shaped by external factors and that we cannot understand the tax system merely through the interaction among different constituent parts within a bounded system. Baranzini and Carattini (2017) have attempted to theorise this in relation to carbon taxes. They found that the acceptability of proposed new taxes or tax rises, and therefore the longevity and evolving character of specific taxes, is shaped by a range of factors including willingness to pay, distribution of income, the capacity and sophistication of the institutional infrastructure of revenue raising, the character and quality of the debate surrounding taxation, as well as the specific tax proposals.

But it is not just that society influences the design of taxes. The *impact* of a tax cannot be understood solely through its design as some self-contained entity. The impact of taxes on society, and therefore their meaning and significance, is also determined by the nature of that society and by factors which shape that society. One example can be found in Andersson and Atkinson's (2020) investigation of the distributional effects of a carbon tax in Sweden. They found that this can be understood only by appreciating that its distributional impact varies according to the degree of inequality in the society with higher levels of income inequality increasing the regressivity of this tax or any other consumption tax levied on necessities. Another example comes from the work of those who have shown that the extent to which consumption taxes will push people into poverty is shaped by the profile of household types in that society, since some household types are more vulnerable to fiscal impoverishment than others. Thus, the impact of the same tax differs in different countries (e.g. Schechtl, 2022).

A third more complex example of the way in which we can understand the impact of tax only through understanding its interaction with social factors is set out in Ruane's analysis (this themed section) of the UK's short-lived Health and Social Care Levy, which faced heavy opposition from parliamentarians in both main parties, as well as business and trade union leaders. Designed to operate in the same way as national insurance contributions (NICs), it hit low- and middle-income earners harder than high-income earners. This was partly because the opportunity cost of the income lost through the additional tax was greater for lower- and middle-income earners than for higher earners and partly because the way NICs operated meant the proportion of wages lost through NICs was lower on average for earners with income above £50,000.

This design interacted with a cost-of-living crisis fuelled by high energy prices and supply chain problems, themselves exacerbated by the economic consequences of the war in Ukraine and Brexit, respectively. The new tax threatened the electoral strategy of the governing Conservatives by squeezing 'red wall' voters (hitherto Labour Party voters in deindustrialised areas) who were typically less affluent than traditional Conservative voters. The outcome was the abolition of the new tax after the Conservative Party replaced the prime minister. The raised lower earnings threshhold in NICs, introduced in July 2022 to soften the blow of the new tax, was, however, retained.

Another problematic aspect of the notion of tax system and one which again challenges the assumption of harmonised whole is the fact that this accretion of tax provisions over time creates internal tensions and incoherence. Most advanced societies have very complex tax systems, including the UK's as set out in the tax code. The



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

complexity arises largely from the number of reliefs and allowances available and explanations for this complexity include the use of the tax system to achieve an array of social policy goals including vertical and horizontal redistribution instead of merely raising revenue (Evans, 2016), the effectiveness of the tax consultancy industry (Frisby, 2016), the usefulness of the complexity for wealthy individuals and firms seeking to reduce tax liabilities (Buffett, 2011), and the frequency of changes in tax rules and the addition of new rules to deal with the unintended consequences of other rules (Evans, 2016). Despite this, the number of tax offices and staff employed by His Majesty's Revenue and Customs (HMRC) have been reduced in recent years, with around 150 offices closed and replaced by just thirteen regional centres (HMRC, 2020), and many reliefs are claimed without having to supply evidence of entitlement. One crucial way of assessing the purpose of this complexity is to consider who benefits. It is hard to avoid concluding that, first, individuals and firms able to employ good tax advisors or even hire lobbyists to change policy and, second, the tax consultancy (including tax avoidance) industry benefit most.

Once the tax system is used to achieve certain social policy or economic goals, the extent of internal contradiction and incoherence widens significantly as these goals themselves are much more likely to be in tension. Additional rules on reliefs and allowances contradict the goal of simplification; taxes designed or presumed to deter certain behaviours, such as smoking, or incentivise others, such as electric car adoption, can contradict other goals of vertical distribution; taxes and benefits are together designed to reduce inequality and yet the tax system itself can add to it. An illustration of this last point can be found in the 2013 rule to make a parent earning over £50,000 and in a household in receipt of child benefit, liable to a High Income Child Benefit Charge. (In 2021–22, average household equivalised original income was just under £46,000.) Over half a million couples with children on incomes of over £50,000 face marginal tax rates of 55 per cent, sixty per cent or even 70 per cent, depending on the number of children (and therefore associated child benefit income), rather than the headline rate of 40 per cent, as child benefit income is taxed away. At the same time, 50,000 such couples, despite paying the higher rate of income tax and having their child benefit withdrawn, are also eligible for Universal Credit (Johnson, 2023).

The decisive influence of external, societal factors, and the internal complexity and contradiction do not say that we should not think in terms of the totality of tax arrangements. The interaction of the constituent parts of our tax arrangements with each other is still important. We can see this in the UK where the relatively low top rate of income tax sits alongside the even lower rate of NICs on income above £50,000 (2 per cent in comparison with 12 per cent on income between the lower and upper earnings threshholds), alongside the low top band of council tax, alongside limited alternative taxation of wealth, alongside significant reliance on consumption taxes, alongside generous tax reliefs and allowances, alongside relatively weak enforcement: these all interact to produce a set of tax arrangements, which helps sustain a top decile of households with on average a significantly higher post-tax income – almost twice at £120,000 – than that of the ninth decile of households (£63,000) not to mention all the households below that (ONS, 2023). Thus, these different elements interact to help maintain a particular profile of income inequality, which is discussed very little.

So our point here is not that the component parts of our tax arrangements do not operate together to have impact – they do – but rather that there is no tax system as a vessel



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

of reified content but instead an array of dynamic processes; it is not a self-contained or stand-alone system but instead at best an *open* system (Reed and Harvey, 1992; Baert and Dominguez Rubio, 2008), comprising dynamic elements and processes which interact with other dynamic processes in society in ways that modify tax arrangements as a whole and mediate their effects.

## Tax and redistribution

Tax arrangements contribute to redistribution by raising revenues to fund economic investment, public services, social security payments, and pensions that are often paid for through social insurance payments, which, as compulsory payments, can be regarded as part of our tax arrangements. On a snapshot basis, we redistribute between different social groups. However, from a longer perspective or, to put it differently, using a different measure of redistribution, we see that much of our redistribution entails redistributing from one phase in our lifespan (our adult working age) to another phase of our lifespan (our retirement/pensionerhood and arguably early dependency) (Hills, 2015; Bartels and Neumann, 2021).

There is a significant body of work on redistribution, including the kinds of factors that shape it (e.g. Madama and Natili, 2016; Jacques and Noel, 2018; Witko and Moldogaziev, 2023) and its impact on the economy and society (e.g. Mackenbach, 2012; Bartels and Bonke, 2013). The largest body of work in recent decades, much of it comparative in nature, has focused on social attitudes towards redistribution, (e.g. Dallinger, 2010; Rowlingson *et al.*, 2021; Busemeyer and Sahm, 2022), with a notable cluster of scholarship around the implications of increased population diversity for ongoing support for redistribution, particularly in relation to the impact of the presence of immigrants on attitudes to redistribution (Banting and Kymlicka, 2006; Kwon and Curran, 2016; Eger and Breznau, 2017; Attewell, 2021).

However, there are limitations in our approach as various dimensions of redistribution receive relatively little attention. Focusing on the operation of the benefits system and access to and experiences of public services, we pay little attention to the ways in which tax systems shape and constrain redistribution or to the contribution of occupational provisions or to other non-tax liabilities. These omissions derive in part from an early (in the evolution of social policy as a field of scholarly activity) narrowing of the social policy gaze to matters of the 'welfare state' rather than fiscal policy more broadly, despite Titmuss' (1956) work on the social division of welfare, and from a tendency to neglect non-state interventions such as decisions by employers or (for instance) pension funds even in analyses of the 'mixed economy of welfare'. Here we shall consider three tax-related dimensions of redistribution, which merit deeper social policy analysis.

## Redistribution goes beyond income

Much scholarship on redistribution has tended to focus on income to the exclusion of other types of resources. This limitation concerns not only policies that affect the redistribution of land, capital, and other assets, which have typically been marginal to social policy endeavour, but also redistribution via public services such as health and education, which are mainstream social policy terrain. The relative paucity of research on wealth redistribution has been challenged in recent years, and some of this work has



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

underpinned political moves to reform the taxation of wealth in the UK (Hills *et al.*, 2013; Corlett and Gardiner, 2018; Advani *et al.*, 2020; Prabhakar, 2021; Rowlingson and McKay, 2021; Reed, 2022; Rowlingson, 2023). We should add here before returning to a discussion of households that aside from Farnsworth's (2012) groundbreaking work on corporate welfare, there is little analysis of redistribution to big business effected through reliefs and allowances in corporate taxes.

The redistributive effect of spending on public services remains a neglected area when compared with the scale of research on income redistribution. Although there are important studies on the unequal patterns of usage of some public services, such as utilisation of various types of health services (e.g. Smaje and Le Grand, 1997; Ben *et al.*, 2017) and access to elite universities (e.g. Boliver, 2016; Synnott, 2013), these studies are not always linked to the matter of redistribution per se.

Although the UK's Office for National Statistics collects and analyses data for the purposes of measuring redistribution, its analysis is limited by both the methodology and the number of services it includes (Sefton, 2002; Horton and Reed, 2010; Ogden and Phillips, 2023). An alternative approach to measuring the value of public service spending to households of different composition and income has been created by Howard Reed and colleagues (Horton and Reed, 2010; Portes and Reed, 2018). By drawing on available datasets, they devised a methodology for calculating the cash value of the consumption by different household types of different public services. Where services are 'collectively consumed' and there is no obvious methodology for assessing differential value to different households (e.g. defence), spending was allocated on a flat-rate basis to all household types, weighted according to the OECD equivalence scale.

In their 2010 study, Horton and Reed (2010) methodologically allocated 70 per cent of £550 billion of public spending in 2007/8 on the basis of micro-data on service use and 30 per cent on a flat rate basis. Spending on areas such as defence, economic affairs, environmental protection, and recreation was included, as well as traditional welfare state services such as income protection, housing, health, and education. These methods allowed the authors to present a picture of the distribution of public spending across different household types and different households across the income range. Reed and Portes (2018) assessed the cumulative redistributive impact of the public spending cuts in Great Britain announced between May 2010 and January 2018. The study showed that among English households, only the top 10 per cent of households were on average better off in net terms after the tax changes and expenditure cuts in benefits and public service – and then by only 0.2 per cent. The remaining 90 per cent of households were on average net losers (Reed and Portes, 2018: 68).

Reed and colleagues' work shows that a research focus on cash transfers alone underestimates the significance of the social wage to households' standard of living and quality of life. It reveals that, in the British context, not only do spending cuts on public services result in a reduced social wage for almost all households, but that they result in reduced redistribution as well. A focus on cash income redistribution alone distorts the true picture and conceals the widespread benefit to households of wider public spending. The greater visibility of the benefits of public spending to households may make it easier to defend public services. This is especially so when we consider that public services are both important to economic security and living standards *and* provide welfare, which would be very expensive to buy on the market. As they are often free or low-cost at the point of delivery, publicly funded services reduce people's out-of-pocket expenses and bring down their cost of living. They act as a



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

virtual income top-up to people's cash income from work or welfare. Gains made through tax cuts are for many households much less than the additional costs they would face of replacing cut services at market rates. Ogden and Phillips' (2023) conduct an overview of research for the Deaton review of inequalities, which was established by the Institute for Fiscal Studies and the Nuffield Foundation to investigate the character, drivers, and perceptions of inequality. They conclude that public service spending is highly redistributive and has become more redistributive over the past thirty-five years, with redistributive impact driven principally by levels of spending rather than progressivity of spending. Looking at redistribution at a single point in time, redistribution is driven by spending more on education on low-income households than richer households; when looking at redistribution over lifetime incomes, redistribution is driven by patterns of health spending, which especially benefit pensioners.

## Tax expenditure as a form of resource allocation

Although subject to limited social policy attention, governments implement some of their public policies through the design of, or through making changes to, tax arrangements. While some policies are implemented through *public* expenditure (e.g. the provision of housing or unemployment benefit), *tax* expenditures are transfers of resources that are delivered through taxes in the form of revenue foregone (Surrey, 1973). Tax expenditures are benefits granted to specific sectors, activities, or groups through preferential tax treatments such as exemptions, deductions, credits, deferrals, and lower tax rates (von Haldenwang *et al.*, 2021: 8). Thus, instead of the tax being collected and made available for redistributive programmes such as cash benefits, state pensions, or public services, it is transferred to the would-be taxpayer through an allowance, a relief, or a credit. There has been significant social policy research around tax credits, for example in relation to income support through pro-work policies among non-working or low-paid parents or in relation to 'activation' in public policies (e.g. Verbist *et al.*, 2007). However, there is much less attention to other reliefs and allowances, with Morel (Morel *et al.*, 2018) and Sinfield (e.g. 2023), and Farnsworth (2012) on corporate welfare, notable exceptions in European social policy.

Such tax expenditures have been described as *pre*-distributive (Hacker, 2011) in that they shape the allocation of resources before government decisions about public expenditure on benefits and public services. One of the best-known is the fiscal provisions in high-income countries around contributions to occupational and personal pensions, to incentivise saving for retirement. These entail significant transfers to contributors and particularly higher earners since all or most of the income at the point it is paid into an occupational pension is free from income tax with the allowance typically given at the marginal rate of tax. Several countries also exempt homeowners from tax provisions applied to the owners of other properties, such as capital gains taxes or taxes on (imputed) rental income (Lunde and Whitehead, 2021).

There are several reasons why tax expenditures are relevant to social policy's concern with the allocation of resources to meet need. First, the scale of resources allocated through tax reliefs and allowances is enormous, up to 15 per cent of GDP in some countries, amounting to trillions of dollars annually across the world, and the newly established Global Tax Expenditure Database reveals that four countries forego over 10 per cent of tax revenue through tax expenditures (von Haldenwang *et al*, 2021 and see Redonda and Aliu in this themed section). In the UK, the *costed* 'non-structural' reliefs and allowances – designed to help or incentivise particular individuals or activities – amounted to the equivalent of 25 per



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

cent of the value of total tax revenues collected in 2018/19 (NAO, 2020; HMRC, 2023). So, the opportunity cost of reliefs and allowances is considerable.

Second, the revenues foregone through reliefs, credits, and allowances, the policy objectives of which are frequently not stated (von Haldenwang *et al.*, 2021), are made unavailable for redistributive programmes. Third, transparency and accountability in the use of resources through tax expenditures are reduced by the paucity of official data, including on their costs, distribution, and the value for money they do or do not represent (OBR, 2019; von Haldenwang *et al.*, 2021; Sinfield, 2023). This, along with limited media interest, stifles public awareness and debate. Indeed, low-visibility tax expenditures may be used precisely to achieve forms of redistribution without incurring political contestation (von Haldenwang, 2021). A UK example is 'salary sacrifice' schemes, for which HMRC publishes no cost. These allow workers to receive less pay in order to claim particular benefits, thereby reducing their income tax and national insurance liabilities (along with the NICs of their employers); their original pay, however, remains the basis for earnings-related pensions (Sinfield, 2023).

Fourth, resource allocation via reliefs and allowances has risen steadily over time while elements of social security spending in many countries have been cut. Fifth, reliefs and allowances often enhance the means of those on higher incomes, so some of the progressive redistribution effected through cash benefits and public services is reversed by some tax expenditures. In the UK, beneficiaries are mostly high earners, with those earning over £50,000 making almost half of all claims despite representing only one in fourteen of taxpayers (Sinfield, 2023). The Treasury Committee (2018) found almost half of all pension relief went to the top 10 per cent of income taxpayers in 2016/17. These individuals are less likely to require financial transfers to meet need than those on lower incomes.

### Taxes redistribute indirectly by shaping the kind of society we have

It is commonly appreciated in social policy that taxes redistribute. As a result, taxes shape the kind of society we have and, through that, indirectly structure and limit the possibilities for further redistribution.

One example of tax policies helping to reshape society in ways that have subsequent consequences for redistribution lies in the contribution of tax, as part of a wider set of policies, to the growth and dominance of the financial sector, most evident in the UK, where financial and professional services account for 12 per cent of the UK economy and where a significant number of people are employed (2.5 million, compared with 3.9 million in the entire Euro area (City of London, 2023; Trading Economics, 2023). The growth of the financial sector is expressed in part through the rise of financialisation and results in an expanded class of the super-rich who owe at least part of their wealth to financialisation. Financialisation refers to the facilitation of exchange (and thus accumulation) through the intermediation of financial instruments and to a 'pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production' (Krippner, 2005), leading to the increasing share of many national incomes accounted for by financial sectors.

The dominance of the financial sector in the UK shapes, and is recursively shaped by, an aligned set of government policies. These include: a strong pound; relatively weak regulation, only partially addressed since the 2007/8 financial crash; limited transaction taxes which are believed (e.g. Feige, 2000) to curb volatility and speculation in financial



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

markets without discouraging hedging (risk reduction); tolerance of the use of complex company structures, sophisticated financial instruments designed to conceal the true purpose of a transaction and multiple tax jurisdictions; tolerance of the tax avoidance industry despite its sale of illegal tax avoidance schemes (Sikka, 2013); and weak tax enforcement and use of 'sweetheart' deals (PAC, 2016). In addition, very rich individuals enjoy privileged access to government ministers, enhanced through personal and corporate donations to political parties, which, along with the perceived importance of the sector to the economy, influences policy in other, not always visible ways (Barmes *et al.*, 2022).

This state of affairs, shaped in part through tax policy, has had further implications, direct and indirect, for redistribution. The financial crash, which resulted in part from very weak regulation, led to the bailout of financial institutions at a significant cost to the taxpayer. Beneficiaries are thought to have included institutional investors such as banks, pension and mutual funds, insurance companies, and sovereign wealth funds. In the UK, at their peak £137 billion was made available for cash injections and loans, and over a trillion pounds in addition was made available for guarantees, with around thirty-three billion pounds not yet recovered (OBR, 2021). Bailing out critical financial institutions in the US cost US government $498 billion, the equivalent of 3.5 per cent of GDP in 2009 (Lucas, 2019). The damage caused by the crash to economies and associated tax revenues offered a pretext for subsequent austerity policies across Europe, including regressive cuts in UK public spending, which reduced redistribution (as discussed above) and resulted in the loss of comparatively flexible and secure jobs in the public sector, especially for women (WBG, 2018). The strong pound (at least until the Brexit vote) damaged the manufacturing sector since it increased the cost of UK exports to purchasers overseas, resulting in the loss of relatively well-paid and unionised working-class jobs. Governments continue to shy away from significant taxation of wealth, partly because of substantive and administrative complexities (and cost) surrounding this, complexities to some extent caused by the operation of the financial sector (House of Commons Library, 2022), and partly because of the influence of the wealthy.

Susceptible to influence, the UK government decided to expand the reach of the financial sector by exposing students to much higher levels of indebtedness through the introduction of higher education tuition fees. This has an intergenerational impact on redistribution since it pushes up the effective incidence of tax on younger working people (as these loan repayments are compulsory once a minimum earnings threshold is reached) when compared with older working-age people who did not incur these levels of indebtedness and in contrast with pensioner-age households where individuals had not incurred these debts at all. We can anticipate a number of consequences for graduates, if the US evidence is to be believed. Because most must carry their indebtedness throughout their working lives, they are likely to own property of a lower value than would otherwise have been the case, amass fewer savings, including retirement savings, and engage in less entrepreneurial activity, which typically requires further borrowing (De Gayardon *et al.*, 2018).

## Conclusion

Social policy's central concern is with how social needs and social rights are met through the allocation of resources, and the operation of the tax system, in interaction with society, shapes and constrains redistribution, maintaining inequalities within a range. Yet key aspects of this are missing or marginal to social policy and wider scholarship.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

This marginalisation and these omissions arise partly from trends in scholarly interests and the dearth of PhD students working in these areas, both ensuing from and reinforcing the problem. Additionally, the paucity of data in relevant fields stifles the possibilities for analysis: the publication of the British Wealth and Assets Survey of 2006 resulted in a notable increase in social policy scholarship on wealth, for instance. The relative insulation of fiscal policy making from broad-based debate, reinforced by this paucity, exacerbates the problem as Lymer *et al.* (2023) emphasise. Indeed, it could be argued that the kind of analyses produced by Reed and colleagues regarding the redistributive consequences of government policies or proposed policies should, for the purposes of transparency, form part of the relevant government department's routine programme of work in any democratic state.

Social policy has so much to offer, should it expand its engagement with taxation. In contrast to an economistic focus on 'rational' behaviour in response to tax incentives, social policy is better equipped to address the social meanings ascribed to tax, the social benefits it is perceived to facilitate, and its construction to privilege certain interests above others sustaining a system of inequality.

Both concepts – redistribution and tax system – need to be rethought. The 'tax system' needs to be conceptualised within social policy (and beyond) as an open system and not as a repository of reified policy 'tools', and it needs to be integrated into wider societal analyses. In addition, the shaping of the distributional consequences of taxation through its interaction with wider aspects of society deserves fuller acknowledgement.

With regard to redistribution, we propose a modified approach to its conceptualisation, advocating greater attention to the concept of 'structural redistribution'. Redistribution from some individuals to others, for example to make available a minimum income to an individual, needs to be distinguished from structural redistribution by which we mean redistribution, which alters the character of society by – for example – reducing (or increasing) its inequality or adding (or weakening) social cohesion. Redistribution to secure a minimum income may contribute to structural redistribution, but we argue that conceptually we should distinguish them.

## Competing interests

I have no competing interests.

## References

Advani, A., Chamberlain, E. and Summer, A. (2020) *A Wealth Tax for the UK, Final Report*, London: Wealth Tax Commission.

Andersson, J. and Atkinson, G. (2020) 'The distributional effects of a carbon tax: the role of income inequality', *Working Paper 378*, Center for Climate Change Economics and Policy.

Attewell, D. (2021) 'Deservingness perceptions, welfare state support and vote choice in Western Europe', *West European Politics*, 44, 3, 611–634.

Baert, P. and Domingez Rubio, F. (2008) 'Philosophy in the social sciences' in B. Turner (ed.), *The Blackwell Companion to Social Theory*, Oxford: Blackwell, 60–80.

Banting, K. and Kymlicka, W. (2006) *Multiculturalism and the Welfare State: Recognition and Redistribution in Contemporary Democracies*, Oxford: Oxford Academic Press.

Baranzini, A. and Carattini, S. (2017) 'Effectiveness, earmarking and labeling: testing the acceptability of carbon taxes with survey data', *Environmental Economics and Policy Studies*, 19, 197–227.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

Barmes, D., Eames, N., Livingstone, Z., Musto, C. and Youel, C. (2022) 'The Power of Big Finance, Positive Money', https://www.datocms-assets.com/132494/1717792049-positive-money-the-power-of-big-finance-report-june-2022.pdf

Bartels, C. and Bonke, T. (2013) 'Can households and welfare states mitigate rising earnings instability?', *The Review of Income and Wealth*, 59, 2, 250–282.

Bartels, C. and Neumann, D. (2021) 'Redistribution and Insurance in Welfare States around the World', *Scandinavian Journal of Economics*, 123, 4, 1116–1158.

Ben, J., Cormack, D., Harris, R., and Paradies, Y. (2017) 'Racism and health service utilisation: a systematic review and meta-analysis', *PLoS One*, 12, 12, e0189900.

Boliver, V. (2016) 'Exploring ethnic inequalities in admission to Russell group universities', *Sociology*, 50, 2, 247–266.

Buffett, W. (2011) 'Stop coddling the super-rich', *New York Times*, August 14.

Busemeyer, M. and Sahm, A. (2022) 'Social investment, redistribution or basic income? Exploring the association between automation risk and welfare state attitudes in Europe', *Journal of Social Policy*, 51, 4, 751–770.

Byrne, D. and Ruane, S. (2017) *Paying for the Welfare State in the 21st Century*, Bristol: Policy Press.

City of London (2023) *Our Global Offer to Business: London and the UK's Competitive Strengths in Support of Growth*, London: City of London.

Coffield, J. (1970) *A Popular History of Taxation*, Harlow: Longman.

Collins, M., Ruane, S. and Sinfield, A. (2020) 'Taxation and social policy', Themed Section, *Social Policy and Society*, 19, 3, 431–520.

Corlett, A. and Gardiner, L. (2018) *Home Affairs: Options for Reforming Property Taxation*, London: Resolution Foundation.

Dallinger, U. (2010) 'Public support for redistribution: what explains cross-national differences?', *Journal of European Social Policy*, 20, 4, 333–349.

De Gayardon, A., Callender, C., Deane, K.C. and DesJardins, S. (2018) *Graduate Indebtedness: Its Perceived Effects on Behaviour and Life Choices – A Literature Review*, Oxford: Centre for Global Higher Education.

Eger, M. and Breznau, N. (2017) 'Immigration and the welfare state: a cross-regional analysis of European welfare attitudes', *International Journal of Comparative Sociology*, 58, 5, 440–463.

Evans, C. (2016) 'It's just not simple. Why is tax so complicated?', Centre for Household and Assets Management, Briefing Paper BP2-2016.

Farnsworth, K. (2012) *Social versus Corporate Welfare: Competing Needs and Interests Within the Welfare State*, London: Palgrave.

Feige, E. (2000) 'Taxation for the 21st century: The automated payment transaction (APT) tax,' *Economic Policy*, 15, 31, 474–511.

Frisby, D. (2016) 'Why we need to simplify our tax code', *Blog*, https://www.annlhumphrey.com/tax-policy/why-we-need-to-simplify-our-tax-code/#:~:text=The%20UK%20tax%20code%20is,the%20Bible%20(800%2C000%20words) [accessed 18.02.2025].

Hacker, J. (2011) 'The institutional foundations of middle-class democracy', *Policy Network*, 6, 5, 33–37.

Hills, J. (2015) *Good Times Bad Times*, Bristol: Policy Press.

Hills, J., Bastagli, F., Cowell, F., Glennerseter, H., Karagiannaki, E. and McKnight, A. (2013) *Wealth in the UK: Distribution, Accumulation and Policy*, Oxford: Oxford University Press.

HMRC (2020) *HMRC Office Closures and Regional Centres*, London: HMRC.

HMRC (2023) *Non-structural Tax Relief Statistics' (January 2023)*, London: HMRC.

Horton, T. and Reed, H. (2010) *Were the Money Goes: How We Benefit from Public Services*, London: TUC.

House of Commons Library (2022) 'Potential merits of introducing new wealth taxes', June 10, https://commonslibrary.parliament.uk/research-briefings/cdp-2022-0105/ [accessed 10.02.2025].

IGI (2023) 'Global dictionary', https://www.igi-global.com/dictionary/tax-system/68174 [accessed 18.02.2025].



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

Jacques, O. and Noel, A. (2018) 'The case for welfare state universalism, or the lasting relevance of the paradox of redistribution', *Journal of European Social Policy*, 28, 1, 70–85.
Johnson, P. (2023) 'Britain's economically damaging tax system is now indefensible', *The Telegraph*, April 5, https://ifs.org.uk/articles/britains-economically-damaging-tax-system-now-indefensible [accessed 18.02.2025].
Krippner, G.R. (2005) 'The financialization of the American economy,' *Socio-Economic Review*, 3, 2, 173–208
Kwon, R. and Curran, M. (2016) 'Immigration and support for redistributive social policy: Does multiculturalism matter?', *International Journal of Comparative Sociology*, 57, 6, 375–400.
Lucas, D. (2019) 'Measuring the cost of bailouts', *Annual Review of Financial Economics,* 11, 85–108.
Lunde, J. and Whitehead, C. (2021) 'How taxation varies between owner-occupation, private renting and other housing tenures in European countries', *UK Collaborative Centre for Housing Evidence*, https://blogsmedia.lse.ac.uk/blogs.dir/119/files/2021/02/European-Housing-Taxation-report.pdf [accessed 18.02.2025].
Lymer, A., May, M. and Sinfield, A. (eds.) (2023) *Taxation and Social Policy*, Bristol: Policy Press.
Mackenbach, J. (2012) 'The persistence of health inequalities in modern welfare states: the explanation of a paradox', *Social Science and Medicine*, 75, 4, 761–769.
Madama, I. and Natili, M. (2016) 'A farewell to universalism, a farewell to equality? The paradox of redistribution in the era of the new politics of the welfare state', *Politiche Sociali*, 3, 3, 459–478.
Marmot, M., Allen, J., Goldblatt, P., Boyce, T., McNeish, D. and Gady, M. (2010) *Fair Society, Healthy Lives: The Mamot Review*, London: London Institute of Health Equity.
Morel, N., Touzet, C. and Zemmour, M. (2018) 'Fiscal welfare in Europe: why should we care and what do we know so far?', *European Journal of Social Policy*, 28, 5, 549–560.
NAO (2020) 'The management of tax expenditures', National Audit Office, HC 46 Session 2019–20, 14 February 2020.
OBR (2019) 'Fiscal risks report', July. London: Office for Budget Responsibility.
OBR (2021) *Economic and Fiscal Outlook*, London: Office for Budget Responsibility.
Ogden, K. and Phillips, D. (2023) 'The distribution of public service spending', *Deaton Review*, Institute for Fiscal Studies.
ONS (2023) *Effects of Taxes and Benefits on UK Household Income 2021–22*, Cardiff: Office for National Statistics.
PAC (2016) *'Corporate Tax Settlements, House of Commons Public Accounts Committee', HC 788 25th Report of Session 2015–16*. London: The Stationery Office.
Portes, J. and Reed, H. (2018) *The Cumulative Impact of Tax and Welfare Reforms*, Manchester: Equality and Human Rights Commission.
Prabhakar, R. (2021) 'What are the barriers to taxing wealth? The case of a wealth tax proposal in the UK', *Journal of Social Policy*, 52, 3, 700–717.
Reed, H. (2022) *Options For Increasing Taxes in Scotland to Fund Investment in Public Services*, Glasgow: Scottish TUC.
Reed, M. and Harvey, D. (1992) 'The new science and the old: complexity and realism in the social sciences', *Journal for the Theory of Social Behaviour*, 22, 4, 353–380.
Reed, H. and Portes, J. (2018) *The Cumulative Impact on Living Standard of Public Spending Changes*, Manchester: Equality and Human Rights Commission.
Rowlingson, K. (2023) 'Wealth taxation: the case for reform' in A. Lymer, M. May and A. Sinfield (eds.), *Taxation and Social Policy*, Bristol: Policy Press, 164–181.
Rowlingson, K. and McKay, S. (2021) *Wealth and the Wealthy: Exploring and Tackling Inequalities Between Rich and Poor*, Bristol: Policy Press.
Rowlingson, K, Sood, A. and Tu, T. (2021) 'Public attitudes to a wealth tax: the importance of 'capacity to pay', *Fiscal Studies*, 42, 3–4.
Ruane, S., Collins, M. and Sinfield, A. (2020) 'The centrality of taxation to social policy', *Social Policy and Society*, 19, 3, 437–453.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press

Schechtl, M. (2022) 'Taking from the disadvantaged? Consumption tax induced poverty across household types in Eleven OECD countries', *Social Policy and Society*, April, 1–15.
Sefton, T. (2002) 'Recent changes in the distribution of the social wage', CASE paper 62, London School of Economics.
Sikka, P. (2013) 'Why combatting tax avoidance means curbing corporate power', *Criminal Justice Matters*, 94, 1, 16–17.
Sinfield, A. (2023) 'Fiscal welfare and tax expenditures' in A. Lymer, M. May and A. Sinfield (eds.), *Taxation and Social Policy*, Bristol: Policy Press, 46–66.
Smaje, C. and Le Grand, J. (1997) 'Ethnicity, equity and the use of health services in the British NHS', *Social Science and Medicine*, 45, 3, 485–496.
Surrey, S. (1973) *Pathways to Tax Reform*, Cambridge, MA: Harvard University Press.
Synnott, M. (2013) *Student Diversity at the Big Three: Changes at Harvard, Yale, and Princeton Since the 1920s*, Piscataway: Transaction Publishers.
Tax Foundation (2023) '2023 VAT rates in Europe', https://taxfoundation.org/data/all/eu/value-added-tax-2023-vat-rates-europe/ [accessed 18.02.2025].
Titmuss, R. (1956) *The Social Division of Welfare: Some Reflections on the Search for Equity*, Liverpool: Liverpool University Press.
Trading Economics (2023) 'Euro area: employment: financial and insurance activities', https://tradingeconomics.com/euro-area/employment-financial-insurance-activities-eurostat-data.html [accessed 18.02.2025].
Treasury Committee (2018) 'Household finances: income, saving and debt', HC 565, July 26.
Verbist, G., De Lathouwer, L. and Roggeman, A. (2007) 'Labour market activation policies: a comparison of the use of tax credits in Belgium, the UK and the US' in J. de Koning (ed.), *The Evaluation of Active Labour Market Policies*, Cheltenham: Edward Elgar, 46–75.
von Haldenwang, C., Kemmerling, A., Redonda, A. and Truchlewski, Z. (2021) 'The politics of tax expenditures' in L. Hakelbeg and L. Seeklkopf (eds.), *Handbook on the Politics of Taxation*, Cheltenham: Edward Elgar, 128–145.
WBG (2018) *The Impact of Austerity on Women in the UK*, London: Women's Budget Group.
Witko, C. and Moldogaziev, T. (2023) 'Attitudes toward government, rich and poor, and support for redistribution', *Journal of Social Policy*, 76, 3, 1–21.



https://doi.org/10.1017/S1474746425000132 Published online by Cambridge University Press