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Ten reasons why the Left should like the ASI, 1: Raising the tax threshold [1]

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There are many reasons why most Adam Smith Institute initiatives do not find favour with the Left. We favour a spontaneous society rather than one planned centrally according to a preconceived idea of what it should be like. They favour equality where we seek opportunities for everyone. Many on the Left think in terms of class struggle, where the advancement of one class can only take place at the expense of another. We do not think in class terms, but treat people as individuals, seeking opportunities for advancement for everyone. Despite these major differences in outlook, there are some reasons why the Left should approve of some of the positions and policies of the ASI. Here is the first of ten of them.

1. The ASI has long advocated raising the minimum threshold for income tax to the level of the minimum wage. The Left should approve of the way this would raise the take-home pay of low earners.

For over a decade the ASI has urged that the income tax threshold should be raised. The ASI advocated a threshold of £12,500 when the actual threshold was less than half that figure. Its case was partly a moral one, in that low paid people find it hard enough as it is to get by, without having the taxman take some of their meagre cash. The ASI points out that someone on the minimum wage for a normal working week will earn about that figure, which also happens to be roughly half the average wage.

The ASI's case is logical, too, in that it seems absurd to set a minimum wage and then take money from those who earn it. In some cases this leaves people with too little to manage so they become eligible for benefits. Much simpler not to take it in the first place. The coalition agreement contained a pledge to raise the threshold to £10,000 over this parliament, a clause that came from the Liberal-Democrats, not from the Conservatives. All credit to George Osborne, therefore, for bringing that target forward a year.

Those who campaign for a "living wage" should note that the Minimum Wage minus tax is almost spot on the 'living wage,' with one big difference. Instead of requiring firms to pay staff at above market levels, cutting the number of jobs, the ASI policy of linking the threshold to minimum wage has the Treasury footing the difference, without the job losses a 'living wage' would entail.

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