

[Tough on wealth, tough on the causes of wealth](#) [1]

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It seems like it's back to the future for Red Ken, who wants to return our economy to the stagnant mess it was in the 1970s. A few days ago the Evening Standard carried a story about Ken Livingstone's call for an 80% tax rate. He wants those earning over £200,000 to pay a 60% rate of income tax and those earning over £1,000,000 to pay an 80% rate.

Clearly such a policy would be self-destructive. No one would pay such extraordinary rates of tax, tax takes would fall, growth would slump and tax evasion would rocket. It would mean that the government punished success and aspiration with nothing to show for it. If anything, the government should be looking to remove the 50p tax rate, which raises little extra money, damages growth and send the wrong message to Britain's businesses.

Even worse than this economic illiteracy is the way Ken has presented the tax as an attack on bankers. In fact, the vast majority of people earning over £1 million are businessmen and entrepreneurs who invest in this country. Attacking them and the wealth they create would hurt businesses in need of investment and capital at this critical time.

Livingstone went on to say that "these are exactly the people who have landed us in this mess," completely misunderstanding the financial crisis and failing to realise this tax would hit more than bankers. If we are to blame one single group for the financial crisis, then it is government and central bankers, rather than the City bankers. Some blame does lay with the City, having responded to bad incentives created by governments through market interventions like the Community Reinvest Act, but it is silly for Ken to suggest that it is appropriate to punish them through massive tax hikes.

Ken's war on bankers is detached from the reality of the financial crisis, and the tools he would use are blunt and would hurt far more than just bankers. He is welcome to maintain his Soviet-lite mindset, but for the rest of us I recommend the freedom and prosperity that only capitalism can bring.

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