



# Put top rate change into the back pockets of the poorest



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In a recession, more families face the risk of child poverty. With more children at risk, the moral case for action is more compelling than ever.

At the same time, the economy needs successful fiscal stimulus. The Chancellor has already warned that the VAT cut may not be sufficient and that further stimulus could be needed in the budget in March. Targeting fiscal stimulus through the poorest families makes sense because they will go straight out and spend on the things their children need in their local businesses. This will help support the local economy and give the banks more confidence to lend to those businesses again.

So the recession makes the likelihood of resources being found more feasible. Failure to meet the 2010 target to half child poverty would therefore not be the result of lack of resources, but a failure of political leadership of the Government's principal domestic mission.

Of course the resources still need to come from somewhere though, and while greater borrowing is undoubtedly needed at this time, we should beware rebalancing the budget by cutting essential public services.

This means the Government must look towards those with the broadest shoulders who did best out of the boom years to support fiscal stimulus and family security in poor communities.

There are two revenue actions that, taken together, would quickly improve the Government's chance of keeping

their promise to poor families in 2010: suspending the inheritance tax breaks for the wealthiest estates announced in 2007 – saving £1.2 billion – and bringing forward already announced measures for a 45 per cent top rate of tax and phasing out of the personal allowance for high earners to April 2009, which would raise up to £1.5 billion.

Together, these two measures could bring in £2.7 billion of annual revenue. The Government should spend this on raising child benefit for the younger

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children in a family from £13.20 to match the £20 received for a family's eldest child, and raise the child element of child tax credit by £100 a year. This would put money directly into the pockets of those who need it most.

The recession and mass unemployment of the early 1980's left a terrible trail of damaged lives, economically moribund communities, and intergenerational poverty. We cannot afford the social and economic costs of this kind of failure again. Protecting family security by ensuring that the nation stays on track to eradicate child poverty during the economic downturn is both a moral and economic necessity and these policies would be the surest and fairest way to keep the child poverty promise. ■