

Social democrats are more likely to favour nationalisation; neo-liberals tend to favour privatisation.

Tax

Tax is money raised by the government to pay for the public sector.

There are several different kinds of tax:

- **Income tax.** This is tax taken as a percentage of what you are paid.
- **Corporation tax.** This is tax on business profits.
- **Sales tax.** This is tax added to the price of goods or services you buy. In the UK, it is known as Value Added Tax, or VAT.
- **Council tax.** This is tax which helps pay for local services such as rubbish collection and libraries; it is paid by home owners, and it is based on the value of your property.

Currently, in the UK, income tax is **progressive taxation**; that is, the more you earn, the higher the percentage of your income you pay to the government. Some people argue for a **flat tax**, where everyone pays the same percentage. Some former communist countries, such as Russia and Latvia, already have a flat tax. Progressive taxation tends to make society a little more equal; flat taxation tends to maintain inequality.

Social democrats tend to be in favour of higher taxes; neo-liberals tend to be in favour of lower taxes. Simple arguments for / against tax are:

- The higher taxes are, the more the government has to spend on the things the public sector provides, and the better these are likely to be. A well funded public sector supports the private sector.
- The lower taxes are, the more money individuals and businesses have, and the more active and prosperous the economy will be. Also, low taxes tend to incentivise hard work.

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The Welfare State

The **welfare state** consists of benefits paid for by taxation and provided by the government to those who need them.

It includes:

- The NHS.
- Jobseeker's allowance, for people who do not have a job.
- Sickness and disability benefit, for people who are too ill / not able to work.
- Pensions, paid to everyone over the age of 65.
- Other benefits, such as free travel on buses for over 60s.

Neo-liberals tend to be in favour of reducing the welfare state; social democrats tend to be in favour of maintaining or expanding it.

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