

£39 billion? No problem

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The Institute for Fiscal Studies says there will be a [£39 billion deficit](#) in the UK's budget. As my friend George Irvin [points out today](#) in the Guardian this is not a problem unless you choose not to tax the rich.

Peter Wilby ([Comment, 11 April](#)) is right: our tax system is regressive and desperately needs overhauling. He asks how the extra £39bn cited by the Institute for Fiscal Studies could be raised. I chair an informal group of academics for Compass currently looking into tax reform and working with a large tax model based on the government's own figures supplemented by Family Resources Survey data. Early results show the following. First, the government could raise nearly £20bn per annum by introducing new tax bands of 50% on incomes above £100,000, 60% above £250,000 and abolishing the national insurance cap so that contributions are paid at 11% all the way up the income ladder.

Second, minimal reforms to council tax - for example, introducing land value tax at a relatively low rate - could raise an extra £7bn per annum. Third, the UK could save £12bn per annum alone from axing the following (all expressed in annual costs): ID cards (£3bn); Trident (£3bn); Titan prisons (£2bn); Iraq and Afghanistan (£4bn). Add the above together and you get £39bn per annum. Note that not a single social programme need be cut.

Furthermore, as both the Tax Justice Network and the TUC have argued, abolishing tax havens and tightening tax loopholes would bring in roughly another £25bn (half from personal and half from corporate taxation), so there's room both for plugging the budgetary shortfall and easing the tax burden on the bottom 40% of households while spending on a green new deal.

Yes, we can spend our way out of recession; indeed, doing so will raise even more tax revenue which hasn't been included above. If the rich paid their fair share, there would be no fiscal crisis. The notion that Britain is broke and spending cuts are inevitable is

rightwing tosh
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I am a member of the group George refers to.