

## There has to be a new C word

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Labour has, [for right or wrong](#), committed itself to balancing the government's budget in 2020. I am not convinced of the merit of the policy but one thing I can say for sure is that those who think a 50p tax rate will balance the books are wildly wrong. It will only make a small contribution. Let's be clear about that; [important as this move is](#), it will not transform government finances of itself.

Where I differ a little more from the mainstream is in arguing that cuts can also make little or no contribution to closing the deficit. Cuts have not worked for the Tories because of the multiplier effect which means that for every pound another pound is taken out of GDP whilst costs are added to the social security budget in most cases. The result has been, and will be, stagnation in the real economy.

That means cuts should have had their day as the C word.

The good news is that there is a C word to replace cuts. That new C word is collection.

I mean tax collection. The government [thinks there is £35 billion uncollected tax in the UK economy](#). I think I have convincingly demonstrated that this is a serious underestimate. I believe the true figure is around £95 billion but admit the estimates underpinning this number are now old. The good news is all are being re-worked this year: doing so is the focus of much of what I will be doing in 2013. What I can already say with some confidence is that the new numbers will be bigger than HMRC's. It would be just about impossible for anyone to produce anything less.

And in that case the time has come to admit three things.

The first is that a fair chunk of this tax could be collected if the resources were dedicated to doing so.

The second is that the UK would be a vastly better and fairer place if this were done. We'd need fewer cuts. Business would operate on a level playing field. No one likes cheats so people would feel better if this problem was beaten and law and order would be upheld. The gains are obvious.

The third thing to admit is that this does not happen because the current government does not want to collect this tax.

How can I make such a claim? Again there three reasons.

First, we now know the government underestimates the sum due so that it does not think it will be under as much pressure as it should be to collect tax. Some glaringly obvious tax avoidance - condemned by the Prime Minister onwards - is not in the tax gap estimate for this reason.

Second, it's so far cut employment at HMRC by over 10,000 people (and my data may be a little out of date there) with 2,000 more jobs under threat right now and more to come soon and anyone with any sense knows you cannot catch tax cheats using computers alone.

And thirdly it [takes advice on this issue from external Board members at HMRC](#) made up of people with a vested interest in tax not being paid which then sets the tone of expectation for the organisation.

But if this were changed and collection became the C word of the moment, what would happen then?

First there is a major PR coup for whoever does this.

Second, there's the coup of not having to cut, at least by nearly so much.

Third there's the coup of having a credible and economically sensible plan for cutting the deficit.

Should this be Labour's true agenda? I have to tell you I have no better idea about that than you do. But if they could make this C word their own we'd see some clear red and blue water in political debate. And in itself that would be welcome.