

# California proves it: increase taxes and you can increa...

Published: January 12, 2026, 10:19 pm

---

If you believed everything said in the media and by many politicians you would think that higher taxes are an obstacle to job creation. That is why, supposedly, the UK's corporation tax rate has been cut from 28% to 20%. This, in association with other changes to the UK tax system, may have cost £10 billion a year in my estimate. The claim is that this will boost economic activity in our economy. In that case new evidence from the USA that this policy is unlikely to work and may even be counter-productive is interesting.

The [work has been done by the indefatigable David Cay Johnston](#) who have worked on the relationship between tax rates and jobs growth in the USA. As he notes, there are 3,144 counties in the USA and:

*Just three California counties accounted for every 16th new job in America last year. Add in Orange County, the rich suburban area between LA and San Diego, and every 13th new job in America was created in just four counties. So about a tenth of 1 percent of counties accounted for more than 6 percent of job growth in America last year.*

What's the odd thing about this? Well, this is happening in California where voters in 2012 elected to increase both sales and income taxes beginning in 2013. So, there was jobs growth 0 exceptional jobs growth in the US context - despite tax increases.

Now that does not prove tax increases create jobs. I am not saying that. But what it does say is that it does not stop job creation either. In fact, if taxes support the inherent strengths of a location by providing infrastructure, well trained staff, and more, then around the world we know that taxes can, by implication, aid growth. In fact, [as Ernst & Young admitted to the House of Lords earlier this year](#), tax comes way down on the list of considerations when it comes to business location.

In that case we have to assume the UK's tax cuts are not about tax competition or boosting the economy at all. They are about increasing inequality. And that's something very different indeed.