

We need a debate on a better tax system whether politic...

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Nicholas Stern - that is Lord Stern, famous for his work on climate change - [has an article in the FT this morning](#) on the urgent need for tax reform in the UK. He concludes:

Reforming the tax system is not an easy task for a politician. But neither is taking the hatchet once again to public services that already bear the scars of earlier cuts. And, whereas underfunded public services will make our country weaker, a better tax system will help us to prosper. The choice is clear. Let us have a serious discussion.

There are a number of reasons why Lord Stern is right to say that. First of all politicians are avoiding this debate. It is vital, for example, that we do debate how to make the existing tax system work by closing the tax gap, but that is not enough: we need to imagine the tax system we want as well.

Second, he is right that good tax systems can help prosperity. Note that in saying so he is not suggesting cuts to achieve this aim. What he is saying is that of the options of cuts or a better tax system the latter is by far the better and easier to deliver.

Third, as his article makes clear, he sees the tax and benefits systems as being inevitably and inextricably linked. We have now moved to an era where this association is not made, and that has to be corrected as a matter of urgency or the range of tax reforms available to us is far too limited.

Fourth, banking and finance simply does not pay enough tax. And nor do polluting activities. The result is that we have an economy that far too obviously rewards harmful economic activity whilst denying the chance for beneficial economic activity to flourish.

And fifth (for now) we under-tax land and so wealth, and the social impact of this is now horribly obvious. House prices have become unaffordable as a result. Without taxing land, in (potentially) several ways, this cannot be corrected. The adjustment may take time, but it has to start and soon.

But the debate comes first. I will be contributing to it.