

A rare politician

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I mentioned earlier this morning that I had been asked to make comment after a speech Jeremy Corbyn gave on the economy this morning. This is what I said:

I'd like to thank Jeremy for asking me to join him this morning.

You've just heard Jeremy speak on three themes on which I have done a lot of work in recent years. They are the tax gap, broader issues of tax justice and what Jeremy has described as People's Quantitative Easing. If I might I'd like to add a little elaboration on each.

First, the tax gap. This is the difference between the amount of tax that HMRC should collect if tax law worked as parliament intended and the amount it actually collects.

HMRC thinks this figure is around £35 billion a year. I estimate it at more than three times that sum. And as the National Audit Office said this week in their report on HMRC's accounts, both of us could be right.

That's because the difference between these two estimates is political.

As the National Audit Office say, HMRC and I define tax avoidance very differently. So HMRC, for example, exclude the sort of abuse undertaken by the likes of Google, Amazon and Starbucks and I include it. I'll leave you to decide which approach makes more sense.

Again, the way HMRC and I estimate tax evasion is different. HMRC very largely work on a 'bottom up approach'. That means they sample the tax returns they get, estimate the errors, and then assume if people do not submit a tax return then by and large they have no income. When it comes to the shadow economy they use what they call illustrative estimates — or what the FT once called figures they'd made up.

I on the other hand, as the National Audit Office has acknowledged, work from figures for GDP downwards. That seems to me to be logical. After all — if we're looking for missing data it's somewhere out there in total which is why I compare the total GDP

suggests is due with what is paid. And I get a big difference as a result.

The story is much the same with debt, where I include the figure for debt written off by HMRC because they've decided not to chase it — because I don't think they have the staff to do so, and HMRC don't.

Unsurprisingly I believe Jeremy's right to highlight these issues I have raised on the tax gap. That's not because all this missing tax is recoverable, much as it would be great if that were true. Instead it's because the government's choice to focus on a relatively small figure for the tax gap means, first of all, that the additional tax collected will also be small and, second, that the resources allocated to the task are absurdly low. In that context I'd mention that the £750 million extra allocated in the budget simply represented cancellation of cuts already in the HMRC budget. There was no real new money at all.

So, what Jeremy's saying is that there is money out there in the tax gap to be collected that would change the political agenda. I think he's right to say so.

As I also think he's right on tax justice. Despite its bluster this government has an appalling record on tax justice. Two weeks ago it was Conservative MEPs who formed most of the group that voted against greater tax transparency in the EU parliament by opposing country-by-country reporting that would hold multinational companies to account for what they pay, and where.

We know that the pressure of such publicity on large companies can work. This week HMRC published research saying that many companies changed their attitude to tax fiddling in 2013 in the wake of Margaret Hodge's onslaught on tax cheats in the Public Accounts Committee. Country-by-country reporting could have the same impact on behaviour. I welcome Jeremy's support for an idea I first created way back in 2003.

And then there's People's QE. A report in the FT yesterday said that conventional QE is not working. House prices in Germany, Norway and London are rocketing as a result of it.

That's hardly surprising. If you land a pile of effectively free cash on a plate in front of bankers I have to tell you that you'd need to be straightforwardly naïve to think they'll lend it to the productive economy for three reasons.

First, that would involve engaging with risk from real business, and bankers hate that.

Second, lending to the SME sector does not inflate bankers' personal wealth in the way that lending to boost house prices does.

And third, if bankers do want to take risk they want to establish the odds. That is why, for example, the stock market has hit record highs of late when there is no reason for it to do so.

People's QE fundamentally changes all that. It is QE because it would be new money pumped into the economy as a result of the Bank of England buying back bonds, but in this case they'd be what are effectively new bonds created by a government owned investment bank that would have the aim of funding new housing, infrastructure, sustainable technology and so much more that would guarantee jobs in every constituency in the UK and long term careers and opportunities for so many who need them.

The choice as to which QE you pursue is, like the tax gap you believe in or the demand you make of multinational corporations when it comes to transparency, essentially political. I will leave that political judgment to Jeremy. I am not a politician. But I can say three things.

The first is that tackling the tax gap could raise billions more than this government says is possible.

Second, multinational corporations can be brought to account for their tax, and that is to the advantage of all smaller businesses in this country that will then be competing with them on a level playing field. The SME community in the UK may well be the real winners from what Jeremy is saying here.

And third, if anyone wants to promote jobs and business in this country then there is no better way of doing so right now than People's QE. You just have to believe that if we could create £375 billion for banks between 2009 and 2012 then it is worth creating a lot less now to deliver growth, jobs, prosperity, hope and a future for people in this country.

I believe Jeremy's right to say that. And I welcome the fact that as a result he's a rare politician putting forward a plan that could benefit everyone in the UK.

For the record, I draw attention to the comments made in my earlier blog.