

# Funding the Future

Article URL

<https://www.taxresearch.org.uk/Blog/2015/08/23/tax-doesnt-harm-growth/>

Published: January 12, 2026, 5:52 pm

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I have borrowed the following italicised text from the [Tax Justice Network blog](#), because it's well worth sharing, as is the rest of the blog that follows the bit I have used:

*There are a lot of 'competitiveness'-related rankings of countries and states out there, from the World Economic Forum's [Global Competitiveness Report](#), to the World Bank's [Ease of Doing Business rankings](#). (We'll address some of these in due course.) It's interesting to note, for starters, that the highly taxed, highly regulated Scandinavian economies seem to do just as well as their low-tax, lightly regulated peers. Recently we made up a little graph to illustrate this, looking at the WEF's ranking:*

*There's no obvious trend here, is there? The high-tax countries seem to be just as 'competitive' as the low-tax ones, it seems, even on the WEF's measures, (which are somewhat skewed toward the low-tax, light regulation model.) The non-trend you see in this graph is just as [Martin Wolf](#), [Paul Krugman](#) and [various others](#) would have predicted.*

*Now 'competitiveness' in these rankings is usually taken to be a pointer for future economic growth potential and as Krugman commented a few days ago in a post entitled '[Competitiveness and Class Warfare](#)':*

*"Economic growth is pretty insensitive to policy: France and the US are at the extremes of advanced-country regimes, yet there's not much difference in their long-term performance."*

*Wolf [made this point](#) from a tax perspective not so long ago, with supporting graphics. As he put it:*

*"The spread in the average tax ratio is quite large, at 26 per cent of GDP, from Japan to Denmark. It is even quite surprising that such a spread seems to have no effect on economic performance. . . . a tax burden within the range of 30 per cent to 55 per cent of GDP) tells one nothing about a country's economic performance. It is far more a reflection of different social preferences about the role of the state. What matters far*

*more are culture, quality of institutions, including law, levels of education, quality of businesses, openness to trade, strength of competition and so forth. My conclusion is that the focus on the tax burden is misguided. Alternatively, the economic arguments are a cover for (perfectly understandable) self-interest."*

*(There's more on the theory backing these findings [here](#).)*

None of which is surprising of course: tax is really all about making sure resources are allocated to best effect to meet the social needs of the society charging them (on which there is much to come in *The Joy of Tax*). In that case it is hardly surprising that high tax rates are no impediment to growth, and that there is even (as the TJN blog goes on to explore) some indication that low tax rates may hinder that objective in states at broadly the same state of development.

To put it another way: no one need fear tax increases. So why do you here the idea promoted so hard and so often in the media? Could that be, as Martin Wolf suggested, pure self interest on the part of a few?