

## Note to prospective Labour leaders: tax has never ever ...

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I [find headlines like this](#) so boring:

I stress, Owen Smith has said much the same thing of late except he was going to use the money to fund the NHS.

And both are wrong, so I am not being partisan.

I reiterate something I explain in *The Joy of Tax*. This is that a government that has its own currency does not ever need to tax to pay for public services. That is because it can always print the money needed to pay for them.

What is more, unless it spends first to put the money that only it can create into circulation then none of it will be available to make settlement of the tax bills that it insists be settled using that currency.

Or, in other words, spending always happens before tax is raised and as a result no spending is ever dependent on tax funding; this is a tautological impossibility in fact.

Tax does instead have six very clear but quite different purposes which are:

- \* Reclaiming the money the government spends into the economy to the extent required to prevent inflation;
- \* Ratifying the value of money by requiring that tax be settled using the currency the government creates;
- \* Redistributing income and wealth;
- \* Repricing market failure;
- \* Reorganising the economy through fiscal policy;
- \* Raising representation in a democracy because people who pay income taxes (in

particular) vote.

None of these are about funding at all.

I wish all politician would realise this. The reality is that they can always spend so long as they have in place policies for reclaiming the cash they create as a result (which is why the tax gap is such a big issue) and have social and fiscal policies that determine who it is reclaimed from and why.

And whilst Labour politicians continue to get this wrong they also continue to buy into the idea that the economy is akin to a household that must live within its means and do themselves and their cause untold harm as a result.

Is [this such a big idea](#) that we cannot now embrace it? Or will it forever deny us the politics, the economics and the economy we need? I wish I could answer that.