

The US tax reform that threatens global chaos is an Ins...

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The FT is unequivocal this morning. [This is a headline:](#)

There is good reason for this concern. The proposal for US corporate tax reform is a disaster in the making. It would exempt revenues from exports by US companies from tax and give no tax relief for imports. Trade war would follow. It would provide no tax relief for interest paid: chaos in financial market would follow. And the dollar would require massive change in valuation to compensate for the change which, when it's a base currency, is reckless.

But the question has to be asked then as to where this madness came from. The answer is simple. It was from the Institute for Fiscal Studies. Yes, that's the supposedly sober and respected UK tax think tank. The following comes [from a paper](#) by Alan J. Auerbach, Michael P. Devereux, and Helen Simpson that the IFS published a part of their 2010 Mirrlees review:

An alternative which we put forward for consideration is a destination based tax, levied where a sale to a final consumer is made. This takes the form of an extension of the flow-of-funds taxes of Meade. Specifically, we suggest that one might improve on Meade's proposed taxes by adding border adjustments: imports would be taxed, but tax on exports would be refunded. The result is a destination-based cash flow tax, essentially a destination-based VAT, but with labour costs deductible. Such a tax would leave location choices unaffected by the tax, and would also considerably reduce the opportunity for companies to shift profits between countries. We put forward a case for implementing a tax of this type on both real flows and on financial flows, on the grounds that this would also tax the economic rents generated by banks on lending to domestic borrowers.

This is exactly what Trump is now proposing to do, with untold risk to the stability for the world economy.

I have for at least a decade opposed many of the tax proposals coming out of the IFS and in turn the Oxford Centre for Business Taxation (they are very closely linked) because I felt them to be fundamentalist and fundamentally dangerous. As [I wrote in 2011](#) under the headline 'The Mirrlees review — just an exercise in right wing propaganda on behalf of the Oxford elite':

I have given much attention to the [Mirrlees review by the Institute for Fiscal Studies](#) in the past — just [look here and take your pick](#). Now they have published [their final report](#).

I know the world bows down to the IFS — but I don't. And that's because the whole of this review is a coordinated attack on the ordinary people of the UK and as such is shameless promotion of the interests of the elite that neoliberal economics serves.

It just so happens that the US might now be the launchpad instead of the UK. That does not make things any better, and it's still an assault on ordinary people. I feel that everything I said has been vindicated.