

The FT has a lot to learn about tax

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I have [already referred](#) to an [FT editorial](#) published this morning that made welcome comment on the need for NHS reform. Unfortunately it was not so insightful on NHS funding, on which it said:

Opinion polls indicate voters would applaud the extra cash. They are less enthusiastic when asked a general question about revenue increases. Hence Mr Hunt's suggestion that some part of the government's tax revenues could be hypothecated to pay for the new spending. A one percentage point increase in the rate of national insurance contributions, for example, is a lot more politically palatable if it is earmarked for health.

They added:

Economic purists claim that such hypothecation is an exercise in smoke and mirrors. In theory, they may be right. This should not discourage ministers from pressing ahead. Politics is the art of the possible, and the NHS needs the money.

I do wonder for how long we will have to deal with at least four issues that this raises?

The first is that the government can have all the money it desires: it simply has to make it. The idea that a government with its own currency can be short of money is ludicrous, and the FT should know it.

Second, spending on the NHS creates income for people that will provide a great deal of the funding required to pay for the additional services given that we are living in an economy that is a long way from operating at full capacity. There is an economic multiplier.

Third, national insurance is a deeply regressive tax. Why should the NHS be funded regressively and so unfairly?

Fourth, lying to people about tax, as such a supposed hypothecated tax would require, really is not good politics when the whole basis on which tax should work is honesty

and trust.

If this is the best the FT can do on tax it has a lot to learn.