

It's time centre ground politicians stopped peddling da...

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Following the publication by the Institute for Fiscal Studies of its [fundamentally economically flawed analysis](#) of the NHS's finances this week debate continues on how to pay for healthcare.

The sad reality is that the centre ground of UK politics continues to reveal its economic illiteracy whilst demanding a new settlement for the NHS. Frank Field MP led the charge in the Guardian, [saying](#):

Nobody now disputes the need for a significant and sustained increase in revenue for the NHS and social care. Rather, there are two political battles to be settled: how significant an increase the country feels it can afford, and from whom it wishes the additional revenue to be raised.

Oh dear. How to get the only two questions he can ask wrong.

The actual questions are, has the country the capacity to supply the healthcare the country wants in the future? And if it has, what is the consequence of the state delivering it?

The first question does not require a “strategic welfare review” as Field suggests. It demands that bigger macroeconomic questions be answered, including what the cost of not supplying this care might be. But I already know the answer: it will be politically impossible for any elected government not to supply the healthcare people in this country want and need. In that case the resources to ensure that they can be delivered must be found - and the slack we now have in the UK economy, the capacity we have to train people and the advantages automation brings in ensuring people will be seeking these jobs all stack together to say that this is simply not an issue of concern if we put our minds to it.

So what of the second question? Field says:

The public have made clear that their preferred means of financing an increase in revenue is through the national insurance system.

Oh yes? Where? And how can this be reconciled with this comment that comes next?

Crucially, the extra revenue should be collected on progressive lines so that those who earn most will pay most. This would lay the basis for an alternative longer-term model that gradually moves all health and social care funding to a new national insurance base, reformed along progressive lines.

As [I have long argued](#), neither national insurance or hypothecated taxes should be used to fund the NHS. I suggest reading the linked argument. But in the case of national insurance, the reasoning is simple. This is, and will always be, a regressive tax even if the cap on tax earners is removed precisely because it does not tax those who live off wealth and they also use the NHS. I [have suggested how to address this](#), but Field makes no hint of taxing wealth to solve this issue.

Nor does Field show the slightest comprehension that tax does not, in fact, fund the NHS. The essence of that argument is simple.

First, spending has always to come before taxation, and not the other way round. If it did not the money to pay tax would simply not be available. To, therefore, ask where the tax comes from before doing more spending is to ask the wrong question as to funding.

Second, spending creates the capacity to pay more tax. The reasons should be obvious and yet apparently they are not. New government spending is, of course, someone's income. It is not poured into a black hole to be lost forever more. That means that some comes straight back in tax. And yet more comes back because the recipient of the extra income also spends, and so tax is paid, and so on. It is quite likely that over time new spending pays for itself. Field should learn some basic economics.

Just as he should learn why to link an income stream to a spending commitment is dangerous. That's because in that case the ability to spend is artificially constrained by what happens to that income stream. However, it's rare that there is any relationship between the demand for health spending and the economic activity that results in tax paid. The danger is, then, rationing by the back door, which many on the right would love.

Hypothecation is bad in principle. It's especially dangerous for the NHS where the ability to treat people should not be artificially constrained by bad economics.

We can have the NHS we want. But not when politicians like Frank Field (and [Sarah Wollaston](#), [Norman Lamb](#) and Liz Kendall) continue to feed the myth that the NHS can only be funded on the whim of the wealthy to pay tax, or not, which false narrative simply feeds into the neoliberal agenda that wishes to crush the NHS in favour of vastly more expensive private alternatives.