

# The Institute for Fiscal Studies is suffering from a la...

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The Guardian is amongst many [reporting the following](#) this morning:

*British households will need to pay an extra £2,000 a year in tax to help the NHS cope with the demands of an ageing population, according to a new report that highlights the unprecedented financial pressures on the health system.*

*Two thinktanks — the Institute for Fiscal Studies and the Health Foundation — have said there can be no alternative to higher taxation if there are to be even modest improvements to care over the next 15 years, adding that demands on the health service will continue to rise.*

I do, as usual despair at the poverty of thinking displayed by the Institute for Fiscal Studies. It really is time it stopped talking about macroeconomics, about which it appears to know almost nothing.

First, as usual the IFS suggests that government spending is paid for with taxation when that is not true: it is paid for with government created money which is then cancelled with taxation.

Second, the IFS defines health care affordability in terms of capacity to tax. This too is quite simply wrong: health care is affordable if there is the capacity to supply it within the economy. That is what limits the health care we can supply, and not tax. It really is time the IFS looked at the real economy and not just the money.

But third, and worst, is the sheer poverty of the IFS thinking. Paul Johnson admitted on the Today programme this morning, which I endured on my way down to Stansted, that he might suffer from a lack of imagination. Let me assure you, I agree. And the reason is obvious. Johnson simply cannot imagine the world changing. His whole analysis exists in a world where *ceterus paribus* holds true. But it does not.

I have not checked the report as yet to see what it says about automation so I will stick to discussion of tax where what the IFS is saying is that nothing will change. Johnson's commentary made this clear. We can't tax business: he thinks it will run away. Land

and wealth taxes won't collect much, he says. And as for changes to allowances and reliefs, most especially when it comes to subsidising the already wealthy? Of that there was not a hint.

Let me put this in context. The IFS seem to be looking for about £30bn a year. That is, as [I have shown](#), half the sum that subsidies to pension and ISA saving in the UK now cost each year. All of that sum goes as a subsidy to the City to effectively over inflate the price of shares. Johnson should know that. But he said on Radio 4 that there was nothing he could imagine cutting now that could meet health care costs. The only explanation for that is that he is not thinking, or cannot think, or wants to perpetuate the tax inequality we have in the UK where the wealthy pay no bigger a share of their income in tax than most in the population do.

And as I have also shown, [we could raise this money from additional taxes on wealth](#).

So what really irritated me about the Today report? It was the introduction that claimed that the IFS is politically independent. So it might be. But it's a massive supporter of the status quo. And that's not independent. Nor does it evidence thinking. And most of all, it largely disqualifies a participant from debate on change when they refuse to imagine the possibility of it happening. And that's what the IFS is doing here.

Rant over. I've got through the security queue at Stansted where most of this was written. I need coffee.

*PS The BBC asked me to go on television about this but as I am speaking in Dublin this early evening that is not possible.*