

The FT is right that we need a decent tax strategy but ...

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An FT editorial this morning [has said that](#):

Raising tax is always politically difficult. But Britain can no longer afford a delay. The proximate cause is a shortfall in the public finances. Likely downgrades to productivity forecasts, spending commitments already announced and a change in the accounting treatment of student loans all mean the government will need to raise funds to meet its fiscal rule of balancing day-to-day spending by 2023. Truly “ending austerity” and reversing the cuts of recent years will cost even more.

That is even before Prime Minister Boris Johnson’s ambition to “level up” the country. Patching up the economic divides between regions and improving productivity growth overall will mean increasing current spending on healthcare, education and transport, as well as capital expenditure on big infrastructure projects. There is a longer-term problem too: Britain is ageing and will need to spend more on health and social care to maintain the same quality of public services.

All this makes the Conservatives’ decision to box themselves in look ill-advised.

So, the FT still buys balanced budgets, despite the disaster of austerity.

And it still thinks tax revenues still directly fund government spending, even though that is not true in a fiat currency economy.

And the FT thinks that capital spending must be paid for with current tax and not borrowing.

That’s a depressing list of misunderstanding by our supposedly most economically literate newspaper. And it is hardly the basis for giving advice on a tax strategy.

That said, we do, of course, need a tax strategy. But that has to start from an understanding of what tax is for. There are six reasons to tax:

1) To ratify the value of the currency: by demanding payment of tax in the currency of

the country a government effectively requires that it be used for transactions in a jurisdiction and so takes control of its macroeconomy;

2) To reclaim the money the government has spent into the economy in fulfilment of its democratic mandate. Some call that raising revenue if you like, but it's not the same thing even if the appearance is similar;

3) To redistribute income and wealth;

4) To reprice goods and services;

5) To raise democratic representation - people who pay tax vote;

6) To reorganise the economy i.e. fiscal policy.

Start from there and there is a chance of a decent tax strategy. The FT has not. And I suspect Sajid Javid would not. So we can continue to expect poor tax strategy. Which is deeply disappointing.