

The IFS proves, yet again, that it's dedicated t...

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One day the Institute for Fiscal Studies will understand tax and its relationship to macroeconomics and how not to make fools of themselves when they talk about the two in the same sentence. This will not, I suspect, happen whilst Paul Johnson is in charge there. As the [Guardian has noted](#):

Paul Johnson, director at the IFS, urged the chancellor to raise taxes. Sunak could abolish [entrepreneurs relief](#), which costs £2.3bn and only benefits as few as 5,000 individuals, while also [reforming council tax](#) to increase charges on the most expensive homes in the country.

He added: “We have already had 16 fiscal targets in a decade, and fiscal targets should not just be for Christmas. Mr Sunak should resist the temptation to announce another and instead recognise that more spending must require more tax.”

So, yet again the IFS reveals its fixation with the household analogy of the macroeconomy and its ability to only think strategically at the level of the book-keeper.

The reality is that in the UK there are six reasons to tax:

- 1) To ratify the value of the currency: this means that by demanding payment of tax in the currency it has to be used for transactions in a jurisdiction;
- 2) To reclaim the money the government has spent into the economy in fulfilment of its democratic mandate. You can call this revenue raising if you insist, but it isn't;
- 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.

The IFS ignores all that. That's because it doesn't understand money. And it's because it thinks there is a tax and spend cycle, when the reverse is true. And glaringly obviously it does not understand that appropriate fiscal policy would right now demand deficit funding of a Green New Deal. Nor can it think outside the box on [how to finance that deficit](#).

Instead it wants another fiscal rule. Whilst any rational person noting that there had been sixteen fiscal rules in a decade would conclude that this shows they are at best of limited worth, or are at most political rhetoric, and in either case are clearly worthless, the small-mindedness of the IFS demands that the balanced budget mantra be enforced instead. Neoliberalism must rule, come what may.

And this is supposedly our premier macroeconomic think tank. No wonder we're in trouble.