

Keir Starmer is right: this is absolutely the wrong tim...

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There is much comment [all over the media](#) about the need for tax rises at present.

There is also much left-wing fury that, according to [Left Foot Foward](#):

Keir Starmer's spokesman has rejected mooted Tory plans for a rise in fuel duty, corporation tax and capital gains tax in the budget.

The Labour leader's spokesman told lobby journalists this afternoon that it is "absolutely the wrong time to be talking about tax rises".

So, let me be clear: in a world where there is but one chance at a sound bite Keir Starmer is right. We do not need to be talking about tax rises at present. He is right to say so. I entirely agree that this may be the time to talk about tax reforms, but I reiterate, that in a world where there is but one chance at a soundbite, he has chosen the right line.

I argued his case in [my submission on Tax After Coronavirus](#) to the Treasury Select Committee, saying:

The greatest misunderstanding around tax at present, arising as a direct consequence of the coronavirus crisis, is that there will at some time be an obligation on government to somehow raise tax to cover the deficit of £300 billion or that will arise in 2020/21 and the £100 billion plus deficits that will arise in each of the following three years, as currently forecast. This is not true. There are a number of reasons for this:

** To seek to do this at a time when demand is already suppressed due to the impact of the coronavirus on both household and business confidence, which means that demand (and so GDP) is likely to be severely impaired for some time, would have the net effect of further reducing the funds available to fuel that demand, and so would exacerbate the scale of the recession (or even depression) that we are now facing. As such there is likely to be no scope for increases in overall tax revenue for some years to come if the government wishes to see the economy recover to anything like its former level of activity;*

** As a matter of fact, there is no reason to raise funds for this purpose. As already noted, QE will cover most of the 2020/21 deficit, and will probably do likewise in each of the following years. There is no reason at all to reverse these QE arrangements and absolutely no pressure on the government to do so. Nor is there any obvious risk of inflation that suggests that QE might need be reversed. Indeed for more than a decade now inflationary pressure has almost disappeared from the world economy and there is no sign of it returning, anywhere. The chance that this happens to coincide with the period when QE has been in use is likely to not be coincidental at all.*

** There is ample demand for government saving accounts and bonds at present and since the government now has effective near total control of short term interest rates (as a consequence of the size of central bank reserve balances) and long term interest rates (through QE) the government has every opportunity to continue to engineer this valuable position that means that the net cost of interest on national savings deposits and gilts will remain exceptionally small in historic terms for some considerable time to come.*

** Any threat from money markets to destabilise this situation can always be neutered using either short or long term QE: the government can now always out-gun the markets, which was a fact not appreciated before 2009.*

It follows that the rational objective for the tax take within fiscal policy is, in this environment, to keep that yield as low as possible in order to stimulate demand, and so encourage economic recovery, leaving QE, the Bank of England and the government savings markets to fulfil the task of balancing the government's funding equation.

I am well aware that I then spent a great deal of time arguing that there were reasons to now think reform possible, and to suggest what they were, but everyone of those was a microeconomic footnote to the overall macroeconomic comment I have just reproduced here.

Keir Starmer has this right. Give the man a break.