

Funding the Future

The UK's leading think tanks believe that the least wel...

Published: January 13, 2026, 4:09 am

As the [Guardian has noted this morning](#):

Tax increases will be needed across the board for Britain's highest and lowest earners to bring down record levels of government debt amassed during the coronavirus crisis, leading economists have warned.

Sending a message to the chancellor, Rishi Sunak, as he explores possible options for raising taxes at the autumn budget, experts from four of the country's leading economic thinktanks said any significant tax changes should not be introduced until a sustainable recovery has taken hold.

I noted that this hearing was on yesterday. At one point I intended to watch, but events got in the way. But I did notice something from the notice of the hearing. This noted that the speakers were:

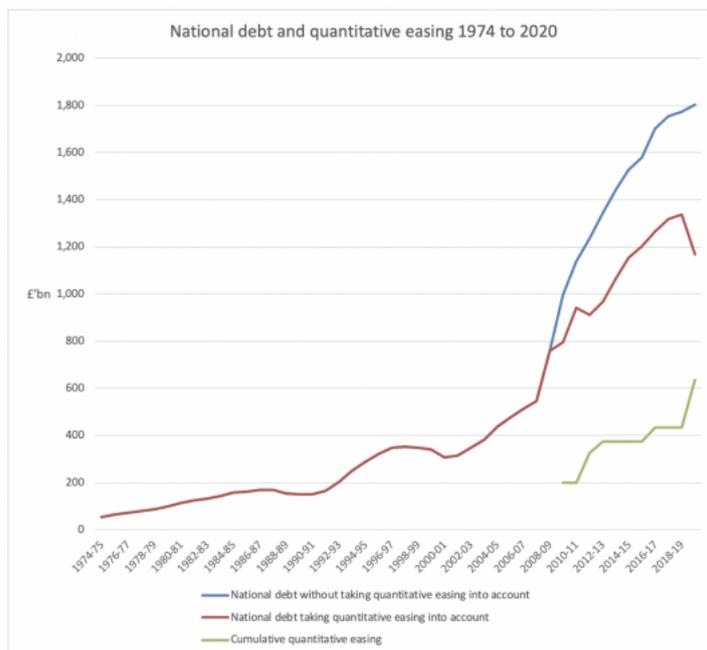
The screenshot shows a meeting page with a green header. The title is 'Formal meeting (oral evidence session): Tax after coronavirus'. Below the title, it says 'Committee > Treasury Committee' and 'Inquiry > Tax after coronavirus'. The main section is titled 'Meeting details' and includes the following information:

- At 9.30am: Oral evidence** (with a 'Transcripts' button)
- Inquiry > Tax after coronavirus**
- Speakers:**
 - Paul Johnson**, Director at Institute for Fiscal Studies
 - Dr Gemma Tetlow**, Chief Economist at Institute for Government
 - Mike Brewer**, Deputy Chief Executive and Chief Economist at Resolution Foundation
 - Professor Philip Booth**, Senior Academic Fellow at Institute of Economic Affairs

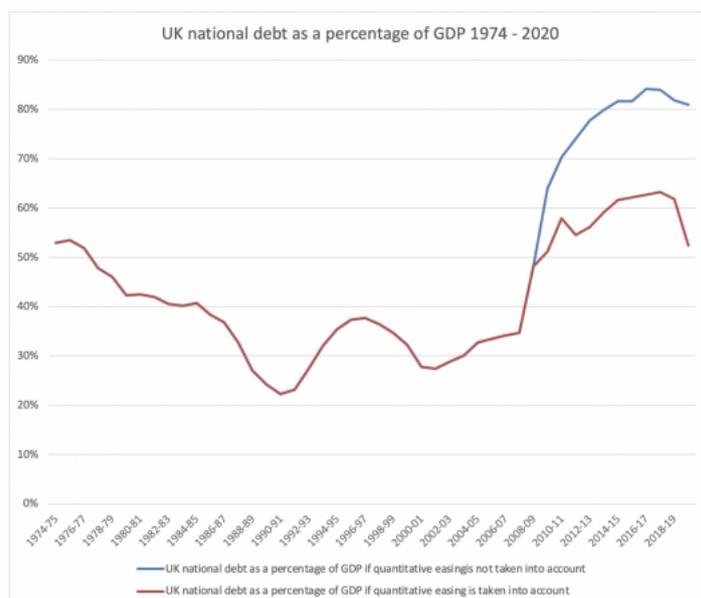
So we have one person from a far-right think tank that will not disclose its funding and

three other speakers, all of whom have worked for the Institute for Fiscal Studies, which is a microeconomic think tank that says it does not do macroeconomics. And yet the issue that they were discussing was macroeconomics. I am not disputing that each of the three currently or formerly at the IFS might know about tax at a micro level, but macro knowledge appeared to be almost entirely absent from the transcript of the hearing, which I have read.

Perhaps the most telling evidence of that is that there was no questioning within the hearing on the scale of the so-called national debt. It is claimed to be £2 trillion, but net of quantitative easing it is not:



That data is to March 2020. The percentage data looks like this:



That data is, again, to March 2020, and we know that the top line has now risen to 100%, aided (no end) by the fall in GDP, but that the real debt figure is well below the headline figure was not discussed. Indeed, the impact of quantitative easing was not mentioned once in the hearing. This was a discussion of tax to repay debt where no one present seemed to know that tax does not have this role. Instead, we got exchanges like this between the far-right Steve Baker MP and the far-right Philip Booth from the so-called Institute for Economic Affairs:

Mr Baker: Good morning. I begin by referring to my registered interest in Glint Pay.

I want to pick up on the theme from Professor Booth of the long-term debt. I was just looking at the terribly frightening debt projections from the OBR, which, it has to be said, became worse when the present Government came to power, and then become dramatically worse with Coronavirus. Are we all agreed that the main pressures come from health, adult social care and pensions? Does anybody want to say that there is another additional major pressure on spending? Professor Booth, perhaps I can come to you to say a bit more. Just moments ago, you were saying that you are most concerned about the next 30 to 40 years. Perhaps you would like to elaborate.

Booth replied:

The really frightening thing about those predictions is the decisions that have been taken by Government in the past two years to increase spending on those very things that lock in increases over that 30 to 40-year period, which I think has increased the debt projection by something like 100% of national income in 50 years' time. At the same time, there has been no attempt to deal with things like the triple lock on pensions, which has no justification whatsoever and in the next three years could cause total chaos, as real earnings collapse and then possibly recover at very high rates, etc. Paul and Mike have mentioned the question of the taxation of older people. The issue of a demographic crisis was essentially ignored in the 1990s, and from 2010 onward, decisions have been taken that have made it worse.

This was not challenged by the meeting. Nor was this comment from Booth:

There isn't an easy answer. We already have the debt and somehow we have to find a way through this. As Paul said, ensuring that people work to much older ages is part of the solution: work in a flexible way, and not necessarily full time—40 hours a week or whatever—until people are at very old ages; but increasing labour market participation is certainly part of the solution.

How is coronavirus to be paid for then? By making people work until they drop, apparently.

But then, the whole discussion was deeply regressive. Gemma Telow for the Institute of Government when asked to discuss tax increases said this:

I agree with Paul's statement that it is hard to do politically but, for example, things like charging VAT on all goods rather than having many products zero rated would be one way of doing that. It would stop the current behaviour, which is that the producers of goods try to ensure that their goods get classified as being zero rated and not 20% rated. Reducing those kinds of distortions would be helpful. In other areas—I will leave it there.

So, the focus was on being regressive. It was a commonplace theme. All that was agreed was the deferring the increase in regressive taxes was desirable for the time being. Overall, the tone was deeply depressing, ill-informed as to the role of function of tax in the economy where Philip Booth was allowed to make wild claims without any correction being offered, and (to be blunt) very small-minded in the sense of being intensely micro, and so peripheral.

At the conclusion of the hearing each was asked by MP Harriet Baldwin to summarise their recommendations. This is what they had to say:

Harriett Baldwin: Given the time, I am going to have a quickfire round. We know that the Treasury is looking at business rates, that the Office of Tax Simplification is looking at capital gains tax, and that there is a range of different reliefs on taxation. If you had to pick three things that you would change as a result of this crisis, which three would be at the top of your list? Let us start with Gemma.

Dr Tetlow: I will pick some things that we have already talked about a bit. I think that we should look at the different tax treatment for different forms of work—employment, self-employment and company owner-management—particularly that wedge in national insurance contributions between employment and self-employment.

Paul is right that switching from fuel duty to road pricing is something that would be beneficial to address both the externalities of congestion and the gap in public finances that would come about as fuel duties finish. From a political economy perspective, it is much easier to do that when you can get rid of fuel duty while introducing a road price charge, rather than doing it once you have already lost all the revenues from that.

Because I do not have to get elected as a politician, I think looking at broadening the base of that would be a good thing to do. Other countries manage to do it, but clearly, it is a very difficult thing to do.

Harriett Baldwin: Thanks, Gemma. Mike, your top three?

Mike Brewer: We must look at the tax treatment of the self-employed. In fact, none of us has mentioned that the Chancellor himself flagged this back in March when he announced the self-employment income support scheme. We really have to look at not just how we tax the self-employed, but also what they can expect to receive from the welfare state. Clearly, a marker has been put down there. For reasons of intergenerational fairness, we need to look at the tax treatment of pensions. I agree that the Government's strategy has not been clear on that. As Paul has said, there has been a lot of tinkering, but a clear strategy would help and there is more to be done. Then I would look at capital gains and the way that it is very easy to hide forms of income as capital gains, which are taxed at low rates.

Professor Booth: I would replace all existing property taxes with a tax on user services on owner-occupied and other property and rents, or a tax on imputed income as it is sometimes known. That proposal came out of the IFS study, "Tax by Design", which has very strong support from economists. I would severely limit the tax-free lump sum that it is possible to receive from pensions, which would allow a lot of pensions tax simplification instead of the route that the Government seem to be proposing, which is to allow tax relief only at the basic rate, which I think would cause a degree of chaos, and I would extend the VAT base to at least include domestic fuel and transport.

Paul Johnson: There is a lot of agreement here. I agree with what my colleagues have said. Similar to what Philip just said, I would get rid of or substantially reduce stamp duty on housing and make council tax proportional to the value of the property. If we are looking at straightforward ways for the Chancellor to raise significant amounts of money, and this is not a reform, I would freeze the personal tax allowance and potentially put a couple of pence on the basic rate of tax. If you want a straightforward way of raising a lot of money, given our current structure, that is not a bad way of doing it. Certainly on everything that has been said on capital gains, self-employment, housing and VAT, I would agree with all of that.

So what have we got? I summarise as:

- * Some sensible reform to council tax, barring Booth's suggestion;
- * Some tinkering with road fuel duties ;
- * An assault on the self-employed, who I should remind people on average earn much less than employees, with considerably less security and support from the state;
- * Significant increases in VAT;
- * No changes to corporation tax, at all;
- * An increase in income tax on the lowest paid but no mention of higher rates;
- * No wealth tax reform barring, maybe, on capital gains tax;
- * No mention of tax relief reform, generally;
- * And nothing on measures that might address climate issues.

In summary, the leading think tanks think that we need tax increases, and that the least well off in our country should be paying more tax to pay the price for coronavirus which has already been paid using quantitative easing, which does not need to be unwound. Meanwhile, capital gets an easy ride and the wealthy aren't to be impacted almost at all. It was a deeply depressing event.