

Labour's tax plans are about using the cover of tax jus...

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Rachel Reeves is to announce a series of tax reforms planned by Labour if it were to win office in her speech to its conference today.

As [The Guardian puts it](#):

Labour will scrap business rates and undertake the “biggest overhaul of business taxation in a generation,” the [Labour](#) shadow chancellor will say at her speech on Monday, saying the current system punishes entrepreneurs and business investment.

Rachel Reeves will also announce that the party will undertake a major review of existing tax reliefs, suggesting it would target reliefs on wealth such as income from buy-to-let properties.

The [FT adds an important qualification](#):

Rachel Reeves, shadow chancellor, will commit on Monday to a target of balancing the budget, excluding investment for infrastructure, and public debt falling as a share of national income in her speech at the Labour party conference.

As the FT notes note, the so-called fiscal rule that Reeves will announce is in effect that from the Tory 2019 manifesto.

I have little doubt that there will be tax justice campaigners claiming success about the announcement of this programme this morning. I am not one of them. If you see technical issues surrounding tax as your priority without understanding what the true role of tax is within society then you might say that a review of tax reliefs, a business rates revaluation (which is what actually sounds to be the promise being made) and some reforms to capital gains tax are useful, but that ignores the motivation for these actions.

Reeves wants to reform tax to cut the government's current deficit. In other words, her goal is to take money out of the economy through taxation with the sole aim of achieving an accounting balance that has no known economic benefit for anyone, and

which has been proved to be meaningless in recent years. The plan is, in other words, to reduce the scale of economic activity simply so that Labour can deliver a meaningless trophy to City of London economists

So far, like the Tories, Reeves has given no hint that she understands that government borrowing is not a constraint when interest rates are at it near the zero-bound, as they have been now for more than a decade.

Nor has she given the slightest hint that she understands the role and actual function of QE in the economy.

She has told The Times that she rejects Corbyn's 'magic money tree', which was a policy that lasted just a few weeks and was almost entirely promoted by me before John McDonnell gutted it under pressure from right-wing members of his Treasury team, to whom he succumbed all too easily.

Reeves has not said that her plan requires austerity, but it very clearly does.

And when discussing tax reform she has so far not mentioned inequality as such. So there is no hint of wealth taxation for its own sake to tackle the issues that inequality gives rise to in the suggestions that have been made, and the modest changes to taxation of income from wealth that are planned appear to be for all the wrong reasons.

Worse, she actually shows she is unaware of the current international tax situation, which is somewhat embarrassing. She says she will increase the UK digital tax on tech companies from 2% to 12%, but under the currently planned OECD international tax deal that tax has to go. I am aware that many of the UK's tax justice NGOs are seemingly opposed to that OECD deal. That move is led by the Tax Justice Network, which is doing its utmost to undermine that deal because they claim it only serves an international elite although the deal actually delivers major tax reform for the long term benefit of all countries, including developing countries in whose interest they say they act, but clearly don't now. Labour, however, has to participate in the real world and not the sandpit where the NGO activists now running tax justice campaigns play, and that makes her suggestion straightforwardly naive, at best, and inappropriate at worst.

I would, of course, welcome tax reforms on allowances, business rates, CGT and in other areas. I have long called for them. But could I support a party who thinks these simply a part of a programme to keep right-wing bankers happy by balancing government books when QE has shown that government funding is entirely free from the constraints that bankers used to think that they could impose on it? No, of course I could not.

If Labour goes down this path it entirely abandons any pretension to be anything like a left-wing party. This is centre-right politics at best, and very poorly informed centre-right politics at that. The poverty of Labour's thinking and their grasp of the

current state of real-world economics is so weak that this type of talk is disastrous, and a part of selling out the vast majority in the UK.

I often wonder why anyone becomes a Labour politician to do the work of the right. That would be a good question to ask Rachel Reeves today. What she is planning to do is to use the cover of tax justice to deliver economic injustice. And that has to be called out for what it really is, which is a sell-out on a spectacular scale.