We really do not need wealthy pensioners to make volunt...

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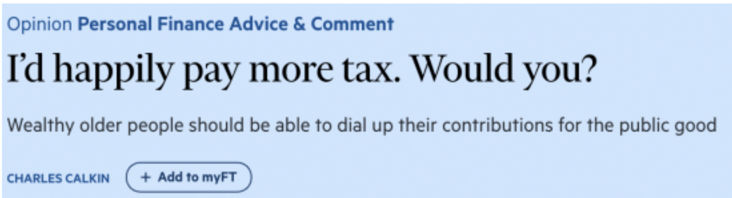
The FT has an article out this morning that has this title:


Opinion Personal Finance Advice & Comment

I'd happily pay more tax. Would you?

Wealthy older people should be able to dial up their contributions for the public good

CHARLES CALKIN + Add to myFT

I read it, more in hope than expectation. It did not take long for those hopes to be dashed. They were when I read this:

The national debt that piled up during the Covid-19 crisis will have to be repaid, as Rishi Sunak made clear in this week's Budget.

If it's any comfort it is that the rest of the article is so bad - basically asking pensioners on incomes of more than. £100,000 a year to make voluntary tax contributions.

There are, of course, two fundamental errors implicit in this commentator's thinking.

First, there is absolutely no reason at all that the sums that supposedly increased the national debt during the course of the Covid crisis need to be repaid. As should be well known to somebody commenting in the FT, almost no supposed taxpayer funds were involved in the process of paying for that crisis. It was, instead, entirely funded by the Bank of England through the quantitative easing programme. Quite who the author does, then, think needs to be repaid is an interesting question which the article does not address. If QE were to be repaid what he would discover is that this repayment would necessarily reduce the financial stability of our banking system. I genuinely wonder why he might be keen on that?

There is, however, also implicit in this article the deeply patronising idea that the state is dependent upon the contributions that the wealthy might make to it by way of taxation. This is simply not true, for two reasons.

The first is that the underlying assumption is that the state has no money of its own, and is therefore dependent upon any that can be provided to it by outside sources. This is, of course, the exact opposite of the truth. In fact, all money has, necessarily, to be created by the state and any money that might be paid in tax was always, in the first instance, created by the state that demands that tax payment be made. This author has then, quite literally, got all his logic the wrong way round. The state is not, as he so very obviously thinks, anything like a household or business because it can always create money, and they cannot.

Second, and at least as important, what he does not seem to appreciate is that money does not actually represent value. It might record value, but it does not represent it. Value is, as was recognised by the classical economists, created by human endeavour. The consequence is that, as Keynes put it, we can afford to do whatever is possible within our economy. In other words, we can always work to the limits of full employment and money is never a constraint because the state can always afford to inject the required money into the economy to achieve that goal. Tax is then a mechanism to prevent inflation, whilst simultaneously restricting the scope of inequality, repricing market failure and directing economic activity through fiscal policy.

In that case it is disappointing to see the FT publish such gibberish.

Worse, I would have hoped that the FT was particularly aware that philanthropy by the rich usually comes with strings attached. I rather suspect that this would be the case in the situation that the author of this article envisages and we can definitely do without that.