

## We can have the world we want, but we will have to tax ...

Published: January 13, 2026, 11:20 am

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This [article](#) is in the [Guardian](#) this morning:

### Two Tory-run councils warn PM of possible bankruptcy

Leaders of Kent and Hampshire county councils say even 'drastic cuts' to services will not be enough



⌚ 'Sleepwalking into a financial disaster': Kent County Hall in Maidstone. Photograph: Loop Images Ltd/Alamy

Two of England's largest Tory-run local authorities have warned the prime minister, Rishi Sunak, that they will be forced to declare bankruptcy within the next few months because of the unprecedented financial crisis enveloping both councils.

The leaders of Kent and Hampshire county councils said even "drastic cuts" to current services would not be enough to patch up the huge holes in their budgets created by soaring inflation and rising pressures in adult and children's social care.

This crisis did not happen by chance. It is the cumulative consequence of years of austerity that has targeted local authority services, in particular.

The response from the authorities is to suggest even more cuts: to libraries and to free home to school travel, which would hit rural communities especially hard.

My response is different. The question posed is very obviously about what size of state

we want. The Tories have continually assumed it is a small one. But that quest is now reaching the point where services that make life possible in a modern mixed economy possible are ceasing to function well, if they function at all.

The question is, what level of services do we want? And are we willing to pay? If so, what is it that we are willing to forego to allocate the required resources to supply what people need, let alone want?

My suggestion is that people want very much better health, social care, education, justice and defence systems. They also want functioning administration of local authorities and tax, health and safety, migration and similar such services.

I also suggest that people know this has a cost and more tax will eventually have to be paid to cover this: if the government spends more into the economy as this would require then it has also to extract more tax from the economy if it is to eliminate the resulting risk of inflation. That's a fact.

Admittedly, people would like those extra taxes to come from those able to pay them in the first instance. So taxes should increase on income from wealth, whether that be capital gains or income from interest, dividends, rents, trusts and the like, all of which are massively undertaxed (by at least 20% on average) when compared to similar levels of income from work.

People would also like equity in the tax system, so that companies pay their fair share (which they do not at present), those on higher incomes do not enjoy additional states of tax relief not available to others (which they do right now), and subsidy is not given by tax exemption to inappropriate causes, like public schools. And yes, abolishing the non-dom rule would help too.

In other words, a programme of tax justice would be good. But let's not pretend it is enough to tackle the scale of need in public services, because it is not by itself.

If we are to have decent public services, we will need more tax. That is a fact. Without it the economy will get out of balance. But we also need to create the capacity to pay that tax. And that means cutting out some of the rent-seeking activity in our economy to make additional space for tax payment.

Rent-seeking activity is that part of the economy that demands payment for a service that does not require the expenditure of effort on the part of the person supplying it, but which is instead a return to that supplier because they have economic control of a resource (whether appropriately or not) that others want. There are three big rent-seeking activities in our economy.

One, of course, is charging rent itself.

The second is charging interest for the use of money, all of which is ultimately created

by the state.

The third comes from the exploitation of monopoly profits, most of which are incredibly well protected by the state's supply of law to reinforce those profits on patents and copyright.

If payments for these were reduced, or alternatively they were taxed more, the need for additional tax out of people's earnings could either be created, because their disposable incomes would increase, or be eliminated by those who earn income from rents paying the tax instead.

We can cut interest rates.

Rents can be controlled.

And large companies can be required to pay more in tax, most especially if rents are involved (as is the case with many tech companies, for example).

In that case, we could create the capacity to pay the tax needed to have the public services we need, but not by allowing that the status quo remain as it is.

In effect, we have a choice. We can have the world we need by controlling the unearned returns to capital or by taxing those returns more, or we can suffer the collapse in those services that we need whilst the owners of capital see their incomes and wealth increase.

The question is, which is it to be? And which political party is going to pay this option on the table at an election?