

We need tax reform. What we do not need is tax reform t...

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The FT has an editorial this morning that it says signals the start of a series to be published by it on tax reform. Since I am spending much of my time considering that issue at present, I welcome that.

However, their framing is unfortunate. That [begins with this statement](#):

UK public services, after years of lacklustre economic growth and the “austerity” of the 2010s, are particularly overstretched.

That is hard to disagree with, but it is contextualised by saying:

All this is happening while the tax burden — how much revenue it raises as a proportion of its economy — is already high by historic standards, and is set to reach its highest since the second world war.

The word 'burden' is significant: it makes clear precisely how the FT views tax. Tax is not a positive contribution within the framework of the overall economy, which is how I see it, but something to be suffered.

As a result, the FT jumps on so say:

Further tax rises are politically unrealistic — whichever party wins next year’s election. So is cutting back public services. Yet taking on significant additional borrowing would be unwise. Britain’s debt pile is now roughly the size of its entire economy, the highest level since the early 1960s. Its interest costs, as a proportion of revenue, are the highest in the developed world.

The message clearly implied is that an insoluble conundrum is being faced. That is a premise that I do not accept. I think that what that suggests is that a paradigm shift in thinking about how to meet real needs is required. The FT is clearly not willing to go there. This is apparent from its preferred solution, which is:

Turbocharging economic growth is the best way to plug spending needs. It results in

bigger income and corporation tax revenues. But Britain's productivity growth — which underpins the long-term expansion of the economy — has been subdued for more than a decade.

That is pure neoliberal (and totally unsustainable) thinking when what we face is very obviously the result of the failure of neoliberalism and the fact that it has created the climate crisis we are now in.

The FT goes on to suggest that there are few quick fixes, before reeling off a list of complaints about complexity that come straight out of the Taxpayer's Alliance handbook for moaning.

What also becomes apparent is that the FT thinks that all reforms must be about promoting growth: that is the goal to be achieved. The meeting of needs is not. That means that as a consequence of the premise of this exercise it is doomed not to work. Nor can it work: growth that challenges sustainability is not now a way out of anything.

That said I agree with the FT's conclusion:

Tax reform is not easy, but the prospect of trying to govern effectively without enough revenue is worse.

I agree that revenue is needed, but the FT is ignoring the fact (for fact it is) that tax does not, of course, pay for anything. It controls inflation arising from spending. That is a fundamental point the FT has not got as yet. Nor has it understood much else about tax, including the six reasons to tax, which are:

- 1) To ratify the value of the currency: this means that by demanding payment of tax in the currency it has to be used for transactions in a jurisdiction;
- 2) To reclaim the money the government has spent into the economy in fulfilment of its democratic mandate;
- 3) To redistribute income and wealth;
- 4) To reprice goods and services;
- 5) To raise democratic representation - people who pay tax vote;
- 6) To reorganise the economy i.e. fiscal policy.

I agree with the FT that we need tax reform. What we do not need is tax reform to perpetuate the status quo.