

Tax is not theft

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Is tax theft? Many people think so — and that belief shapes how we vote, how we treat public services, and how democracy functions.

In this video, I explain why the popular claim “it’s my money, why should the government take it?” is based on a fundamental mistake. Income does not exist before the state. Jobs, wages, money, contracts, and property rights all depend on government systems that come first.

Tax is not punishment. It is not confiscation. It is a macroeconomic tool that stabilises the economy, controls inflation, shapes markets, reduces inequality, and sustains democracy itself.

If you care about public services, economic stability, or democratic accountability, this is the conversation we need to have.

<https://www.youtube.com/watch?v=SK-PmfkViDE?si=vbwLA9VNICJi2dRe>

This is the audio version:

https://www.podbean.com/player-v2/?i=ufn64-19f5549-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What's the right way to think about tax? I've spent half my life thinking about tax after all, so that should be a question I'm able to answer. But what I want to do is take on the real problem, which is the claim that so many people make that "It's my money. Why should the government take it?"

And that view is everywhere, and it feels logical, and to many people, it even feels moral, but it's deeply misleading. This matters because that mindset shapes how people vote. It drives hostility to tax. It undermines public services. It weakens democracy, and this point cannot be stressed enough; it has been deliberately cultivated.

This belief is not based upon stupidity, nor is it based upon irrationality. It's not even selfishness in a sense. It is learned behaviour. Forty years of neoliberal political messaging from those who promote that antisocial idea has left tax framed as if it is theft.

Tax is not theft. It cannot be because it is legally collected by a government that has established the law, and we have given it the power to do so. But anyway, there's a core mistake that runs throughout the whole of the logic that I've just talked about, and that key error is chronological.

Income is not created privately as the first operation in the sequence that the person who makes that claim talks about. The state does not arrive later, after the person has created their income and paid their tax. Instead, the state created the system in which a person's employment exists. In other words, the state has to come first. Your job and your income come afterwards. And there are preconditions to your job and your income existing.

For example, money that is accepted everywhere has to exist.

Contract law that enforces payments must exist, or how else do you know that at the end of the month, your employer will cough up?

Employment rights that define work have to be there; otherwise, what sort of employment would you have?

And property rights that protect income must be in place in law, and that is a job for government, of course.

What is more, it's also their job to put in place courts that resolve disputes arising from all these issues.

In other words, unless the government existed, the protections around your work would not, and that means that these conditions are part of the invisible foundations that let you be paid.

They're not alone. There are plenty more of these invisible foundations. There's the infrastructure that you travel to work on, whether it be a train, or a bus, or a tube, or a car, or a road with your bicycle, or the pavement you walk on. It doesn't matter which you're talking about; the government was involved in creating that infrastructure.

There was the education that trains you, the healthcare that keeps you able to work, and the policing that protects the transactions that result in your capacity to claim that income at all.

There is regulation that creates trust and government that delivers them.

These things underpin the whole foundation of your pay and your employment. Without these systems, your work might well happen, for example, farmers might still farm, but the point is, it wouldn't be anything like it is now. The government is, after all, the biggest customer, always, so for a start, your job might simply not exist if there were no government, and if there weren't a government anyway, you probably wouldn't find a job of the sort you've now got.

So, it is a fact that the government lets you be paid in the way you are, lets you work in the way that you do, and protects your rights whilst doing so, and that's vital because, and let's also add this point, money is the condition of being paid, and the government makes that too.

So let's be clear. Yes, you worked for your income, and your effort matters, and your skills matter, and your time matters, but the government system makes it meaningful, and therefore, let's just go back and think about what tax is again.

Tax is not theft. It's not confiscation. It's not punishment. Actually, it's a reclaim of the money the government spent into the economy to enable you to work, and it's a reclaim of the value in society that made, again, your work possible. You could not have made your income without the government having facilitated all the opportunities for you to profit, and that's a simple, straightforward statement of fact. So, of course, it needs its share back, and it needs it back for a number of reasons.

The tax story we're told is incomplete and often wrong, and anyway, the truth is that tax doesn't pay for government spending. That's because the government pays for its spending out of money created for it by the Bank of England every time it goes to make a payment, just as we make money when we tap our credit cards onto machines and ask our bank to create the money to pay the person from whom we bought things, so the government asked the Bank of England to create money to enable it to pay the people from whom it wishes to buy things.

But in that case, tax does something else for us: it protects us against the risk of inflation, and very few people want inflation, and there's a good reason for that. We know that it is deeply economically disruptive if it gets out of control, and the reason

why we've had stable inflation for so long is because of tax.

Now, I know there have been the odd disruptions in the inflation cycle, but they weren't because the domestic economy was out of control. They were, because we had a war in Ukraine. They were because we had a reopening from COVID that was too quick, which created supply chain blockages outside the UK, but actually in the country, tax has made us remarkably stable, and it's done that by creating demand for money, because tax must be paid in it.

So, the very fact that tax must be paid in the money that we use for the transactions that we undertake on a day-to-day basis, using the money that we pay for our employment, does in fact give value to the money that we are paid as a result. And that's also fundamental to your right to claim that your employment is of value. Don't underestimate the importance of tax in ensuring that your income is worth getting.

And I reiterate, this is fundamental, and it's a part of the whole role of tax inside the macroeconomy, which of course we view differently from how we see it as a microeconomic payment, out of our wages, out of our profits, out of our income, out of whatever.

Tax withdraws spending power within the economy. As far as the government is concerned, that is its primary purpose. It exists to limit excess demand and therefore control inflation. It stabilises the economy. It is a macroeconomic management tool. And that's key, because that means it's nothing like income in the household budget analogy, which most people seek to understand government by, but which is completely untrue because governments aren't like households because the government's got its own bank, and I can promise you, I know your household hasn't.

So, let's just again, stand back for a moment and say, if this is one of the reasons for tax - to control inflation - and it's absolutely fundamental to your well-being, what else does tax do and why is it worth paying?

Well, first of all, tax shapes, behaviour.

Pollution taxes change incentives and provide us with hope for the future.

Taxes on speculation can discourage the excesses of the City of London.

Harmful activities can be limited by tax; for example, smoking, alcohol consumption, and excessive speculation.

And useful activities can be encouraged, like healthcare and education.

Markets are designed by tax, as a consequence: they're not natural, and again, if you work in the market economy, tax shapes the way in which your employment is constructed, and that's inevitable; you can't get around it.

Tax does also drive redistribution. If you are at the lower end of the income spectrum, and most people are, then you will find that you probably get some benefits from the government, maybe in excess of the value of any amount of tax that you pay, and that's true for up to 70% of people in the UK population as a whole.

You may hate paying tax, but you most certainly want the benefits more.

The people who really hate paying tax, of course, are those who get fewer benefits from the government than they have to pay, and they're called the rich, but frankly, they should be paying because they make money off your back instead of out of taxation instead.

But the point is that extreme inequality in our society is destabilising, and tax moderates income gaps, it sustains social cohesion, it reduces conflict in our society, and it supports democracy.

And public services aren't anyway, charity. I've just pointed that out, that most people who do pay tax will also get significant value from public services as a result, whether that be health, or education or that infrastructure I've already referred to, or support in some other way with regard to housing, whatever it might be. The government does provide valuable services, and these are part of the deal that we have with the government; the social contract, if you like, and tax is the consideration for that.

We don't pay directly. We pay according to our means and according to what we consume, but the point is that contract makes income possible in the first place. It doesn't deny us the chance to make income. It makes it possible to earn income by creating demand for so many things that would otherwise not exist, and so many jobs that would otherwise literally not be there to have, but also by simply enabling the rest of the market economy to occur. So let's not pretend it doesn't add value; tax creates worth.

In this sense, we also have to dismiss this idea that government is the "other", the enemy, as the myth about the fact that people don't want to pay tax portrays it. In this myth, the state is always portrayed as hostile, and wasteful, and alien, and something done to you rather than something you own, but that's wrong. Those who talk about this hate the state and democracy. They want you to feel alien. They tell stories to make you feel like tax is theft, and they deny the need for collective action when they know that doing so is in fact dangerous.

What they want is that the private power of the wealthy should go unchallenged, and this is ideological, and it's not accidental. It's a deliberate assault on democracy. It's nothing more or less than that. Those who hate tax and describe it as theft, also hate democracy and call the state an enemy and deny that it is a tool for collective organisation of a complex economy for the benefit of everyone who lives in it.

So we need to reframe the "It's my money" argument that is used as the precursor for the argument that "I don't want to pay tax out of it." It is your income for sure. It was earned by your effort, for sure. But it was enabled by society, definitely, and it was underpinned by the state, and it was underpinned collectively; everybody got the benefit.

This is a system which we can describe as a public good, provided for the benefit of everyone, from which you benefit particularly. So, sure, it's your money in the first instance, if you like. But your obligation to pay tax is chosen and imposed by the state because of a collective decision to do so, and never pretend otherwise. You have the chance to overturn that. You could vote against tax at the ballot box, but mysteriously, no party wants to give you that choice because they know that the state would fail as a consequence, and failed states are terrible places to live.

So, the real tax choice is to say, thank you very much, we'll have some of that because it's a good thing that makes life possible.

Tax is not the problem, in other words.

The absence of tax justice is.

The fact that the wealthy aren't taxed enough is a problem.

The fact that those on low incomes are overtaxed is a problem.

And undoubtedly, the fact that there are underfunded services despite the tax that we pay is a definite problem and a deliberate choice by government that needs to be challenged.

And the continuing existence of inequality is a problem because we don't do enough to address it.

But none of these things is inevitable; they could all be corrected. Don't blame tax; blame the politicians who've chosen not to use the tax system for the outcome. The two are different phenomena.

So, where have we got to? Tax is not a punishment for success; it's the price of civilisation. It's how we sustain democracy. It's how economies function, and it is essential to justice. That's why we need to tax. That's why we need to stop talking about tax as theft. It's why we need to start talking about tax as essential by design. It's essential that we demand accountability for how it is used as a result, but we must reject the hostile state narrative and reclaim democratic control of the economy. This argument is not abstract; it shapes politics, it shapes policy, it shapes lives, and that means it matters. There is, as I once titled a book, A Joy of Tax.

So, what do you think?

Do you think tax is worth paying for the benefits of living in community? If so, have a look at the poll down below. Let us know.

Poll

[poll id="277"]

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